

Rexford Industrial Realty, Inc.
Form 10-K
February 23, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2016

OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission File Number: 001-36008

Rexford Industrial Realty, Inc.
(Exact name of registrant as specified in its charter)

MARYLAND 46-2024407
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

11620 Wilshire Boulevard, Suite 1000, 90025
Los Angeles, California
(Address of principal executive offices) (Zip Code)
(310) 966-1680
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:
Title of each class Name of each exchange on which registered
Common Stock, \$0.01 par value New York Stock Exchange
5.875% Series A Cumulative Redeemable Preferred Stock New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to

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submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the voting stock held by non-affiliates of the registrant based upon the closing sale price of the registrant's common stock on June 30, 2016 as reported on the New York Stock Exchange ("NYSE") was approximately \$1,382 million. The registrant had no non-voting common equity outstanding on such date. This amount excludes 509,016 shares of the registrant's common stock held by the executive officers and directors. Exclusion of such shares should not be construed to indicate that any such person possesses the power, direct or indirect, to direct or cause the direction of the management or policies of the registrant or that such person is controlled by or under common control with the registrant.

The number of shares of common stock outstanding at February 14, 2017 was 66,621,971.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement with respect to its 2017 Annual Meeting of Stockholders to be filed not later than 120 days after the end of the registrant's fiscal year are incorporated by reference into Part III of this Form 10-K.

TABLE OF CONTENTS

		PAGE NO.
PART I	<u>Item 1. Business</u>	<u>2</u>
	<u>Item 1A. Risk Factors</u>	<u>6</u>
	<u>Item 1B. Unresolved Staff Comments</u>	<u>30</u>
	<u>Item 2. Properties</u>	<u>30</u>
	<u>Item 3. Legal Proceedings</u>	<u>44</u>
	<u>Item 4. Mine Safety Disclosures</u>	<u>44</u>
PART II	<u>Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	<u>45</u>
	<u>Item 6. Selected Financial Data</u>	<u>47</u>
	<u>Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>50</u>
	<u>Item 7A. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>77</u>
	<u>Item 8. Financial Statements and Supplementary Data</u>	<u>79</u>
	<u>Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	<u>79</u>
	<u>Item 9A. Controls and Procedures</u>	<u>79</u>
	<u>Item 9B. Other information</u>	<u>80</u>
PART III	<u>Item 10. Directors, Executive Officers and Corporate Governance</u>	<u>81</u>
	<u>Item 11. Executive Compensation</u>	<u>81</u>
	<u>Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	<u>81</u>
	<u>Item 13. Certain Relationships and Related Transactions, and Director Independence</u>	<u>81</u>
	<u>Item 14. Principal Accounting Fees and Services</u>	<u>81</u>
PART IV	<u>Item 15. Exhibits, Financial Statement Schedules</u>	<u>82</u>
	<u>SIGNATURES</u>	<u>87</u>

PART I

Forward-Looking Statements

We make statements in this Annual Report on Form 10-K that are forward-looking statements, which are usually identified by the use of words such as “anticipates,” “believes,” “expects,” “intends,” “may,” “might,” “plans,” “estimates,” “pursues,” “seeks,” “should,” “will,” “result,” and variations of such words or similar expressions. Our forward-looking statements reflect our current views about our plans, intentions, expectations, strategies and prospects, which are based on the information currently available to us and on assumptions we have made. Although we believe that our plans, intentions, expectations, strategies and prospects as reflected in or suggested by our forward-looking statements are reasonable, we can give no assurance that our plans, intentions, expectations, strategies or prospects will be attained or achieved and you should not place undue reliance on these forward-looking statements. Furthermore, actual results may differ materially from those described in the forward-looking statements and may be affected by a variety of risks and factors including, without limitation:

- the competitive environment in which we operate;
- real estate risks, including fluctuations in real estate values and the general economic climate in local markets and competition for tenants in such markets;
- decreased rental rates or increasing vacancy rates;
- potential defaults on or non-renewal of leases by tenants;
- potential bankruptcy or insolvency of tenants;
- acquisition risks, including failure of such acquisitions to perform in accordance with expectations;
- the timing of acquisitions and dispositions;
- potential natural disasters such as earthquakes, wildfires or floods;
- the consequence of any future security alerts and/or terrorist attacks;
- national, international, regional and local economic conditions;
- the general level of interest rates;
- potential changes in the law or governmental regulations that affect us and interpretations of those laws and regulations, including changes in real estate and zoning or real estate investment trust (“REIT”) tax laws, and potential increases in real property tax rates;
- financing risks, including the risks that our cash flows from operations may be insufficient to meet required payments of principal and interest and we may be unable to refinance our existing debt upon maturity or obtain new financing on attractive terms or at all;
 - lack of or insufficient amounts of insurance;
- our failure to complete acquisitions;
- our failure to successfully integrate acquired properties;
- our ability to qualify and maintain our qualification as a REIT;
- our ability to maintain our current investment grade rating by Fitch;
- litigation, including costs associated with prosecuting or defending pending or threatened claims and any adverse outcomes; and
 - possible environmental liabilities, including costs, fines or penalties that may be incurred due to necessary remediation of contamination of properties presently owned or previously owned by us.

Accordingly, there is no assurance that our expectations will be realized. Except as otherwise required by the U.S. federal securities laws, we disclaim any obligations or undertaking to publicly release any updates or revisions to any forward-looking statement contained herein (or elsewhere) to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. The reader should review carefully our financial statements and the notes thereto, as well as Item 1A, entitled “Risk Factors” in this report.

Item 1. Business

Company Overview

References to “we,” “our,” “us,” “our company,” or “the Company” refer to Rexford Industrial Realty, Inc., a Maryland corporation, together with our consolidated subsidiaries, including Rexford Industrial Realty, L.P., a Maryland limited partnership, of which we are the sole general partner and which we refer to in this report as our Operating Partnership. We are a self-administered and self-managed full-service REIT focused on owning, operating and acquiring industrial properties in Southern California infill markets. Our goal is to generate attractive risk-adjusted returns for our stockholders by providing superior access to industrial property investments in Southern California infill markets. We were formed as a Maryland corporation on January 18, 2013 and Rexford Industrial Realty, L.P. (the “Operating Partnership”), of which we are the sole general partner, was formed as a Maryland limited partnership on January 18, 2013. Through our controlling interest in our Operating Partnership and its subsidiaries, we own, manage, lease, acquire and develop industrial real estate primarily located in Southern California infill markets, and from time to time, acquire or provide mortgage debt secured by industrial property. As of December 31, 2016, our consolidated portfolio consisted of 136 properties with approximately 15.0 million rentable square feet. In addition, we currently manage an additional 19 properties with approximately 1.2 million rentable square feet.

We have elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended (the “Code”) commencing with our taxable year ending December 31, 2013. We are generally not subject to federal taxes on our income to the extent we distribute our income to our shareholders and maintain our qualification as a REIT.

Business Objectives and Growth Strategies

Our primary business objective is to generate attractive risk-adjusted returns for our stockholders through dividends and capital appreciation. We believe that pursuing the following strategies will enable us to achieve this objective:

Internal Growth through Intensive, Value-Add Asset Management.

We employ an intensive asset management strategy that is designed to increase cash flow and occupancy from our properties. Our strategy includes proactive renewal of existing tenants, re-tenanting to achieve higher rents, and repositioning industrial property by renovating, modernizing or increasing functionality to increase cash flow and value. For example, we sometimes convert formerly single-tenant properties to multi-tenant occupancy to capitalize upon the higher per square foot rents generated by smaller spaces in our target markets in addition to adding or improving loading and increasing fire, life-safety and building operating systems, among other value-add initiatives. We believe that by undertaking such conversions or other functional enhancements, we can position our properties to attract a larger universe of potential tenants, increase occupancy, tenant quality and rental rates. We also believe that multi-tenant properties, as well as single mid-size buildings, help to limit our exposure to tenant default risk and to diversify our sources of cash flow. Additionally, our proactive approach to leasing and asset management is driven by our in-house leasing department and team of portfolio and property managers who maintain direct, day-to-day relationships and dialogue with our tenants, which we believe enhances recurring cash flow and reduces periods of vacancy.

External Growth through Acquisitions.

We continue to grow our portfolio through disciplined acquisitions in prime Southern California infill markets. We believe that our relationship-, data- and event-driven research allows us to identify and exploit asset mispricing and market inefficiencies. We seek to acquire assets with value-add opportunities to increase their cash flow and asset values, often targeting off-market or lightly marketed transactions where our execution abilities and market credibility encourage owners to sell assets to us at what we consider pricing that is more favorable than heavily marketed transactions. We also seek to source transactions from owners with generational ownership shift, fund divestment, sale-leaseback/corporate surplus, maturing loans, some facing liquidity needs or financial stress, including loans that lack economical refinancing options. We also believe our deep market presence and relationships may enable us to selectively acquire assets in marketed transactions that may be difficult to access for less focused buyers.

Competitive Strengths

We believe that our investment strategy and operating model distinguishes us from other owners, operators and acquirers of industrial real estate in several important ways, including the following:

Focus on Industrial Assets in Southern California's Infill Market: We intend to continue our core strategy of owning and operating industrial properties within Southern California's infill regions. Infill markets are considered high-barrier-to entry markets with scarcity of vacant or developable land and high concentrations of people, jobs, housing, income, wages and consumption. We believe Southern California's infill industrial property market is the largest, most fragmented industrial market in the nation, demonstrating favorable long-term tenant demand fundamentals in the face of an ongoing scarcity and diminishment of supply. We have a portfolio of interests in 136 properties totaling approximately 15.0 million square feet, which are all located in Southern California infill markets.

Diversified Tenant Mix: Our portfolio is leased to a broad tenant base, drawn from diverse industry sectors. We believe that this diversification reduces our exposure to tenant default risk and earnings volatility. As of December 31, 2016, we had 1,266 leases, with no single tenant accounting for more than 1.7% of our total annualized base rent. Our portfolio is also geographically diversified within the Southern California market across the following submarkets: Los Angeles (45%); Orange County (16%); San Diego (15%); San Bernardino (13%); Ventura (11%).

Superior Access to Deal Flow: We believe that we enjoy superior access to value-add, off-market, lightly marketed and marketed acquisition opportunities, many of which are difficult for competing investors to access. Off-market and lightly marketed transactions are characterized by a lack of a formal marketing process and a lack of widely disseminated marketing materials. Marketed transactions are often characterized by extensive buyer competition, making such transactions difficult to close on for less-focused investors. As we are principally focused on the Southern California market, our executive management and acquisition teams have developed and maintain a deep, broad network of relationships among key market participants, including property brokers, lenders, owners and tenants. We employ an extensive broker marketing, incentives and loyalty program. We also utilize data-driven and event-driven analytics and primary research to identify and pursue events and circumstances, including below-market leased properties, properties experiencing functional obsolescence, generational ownership changes, and financial stress related to properties, owners, lenders, and tenants, that tend to generate early access to emerging investment opportunities.

Vertically Integrated Platform: We are a full-service real estate operating company, with substantial in-house capabilities in all aspects of our business. Our platform includes experienced in-house teams focused on acquisitions, analytics and underwriting, asset management and repositioning, property management, sales and leasing, construction management, as well as finance, accounting, legal and human relations departments.

Value-Add Repositioning and Redevelopment Expertise: Our in-house redevelopment and construction management team employs an entrepreneurial approach to redevelopment and repositioning activities that are designed to increase the functionality, cash flow and value of our properties. These activities include converting large underutilized spaces into a series of smaller and more functional spaces, building generic industrial space that appeals to a wide range of tenants, adding additional square footage and modernizing properties by, among other things, upgrading fire, life-safety and building operating systems, resolving functional obsolescence, adding or enhancing loading areas and truck access and making certain other accretive improvements.

Growth-Oriented, Flexible and Conservative Capital Structure: Our capital structure provides us with the resources, financial flexibility and the capacity to support the future growth of our business. Since our initial public offering, we have raised capital through three public offerings of our common stock, one public offering of preferred stock and most recently, through sales of common stock under our at-the-market equity offering program ("ATM Program"). As of the filing date of this Annual Report on Form 10-K, we have sold \$13.2 million of our common stock under the ATM Program, leaving us with the capacity to issue up to \$111.8 million of additional shares. On February 14, 2017, we amended our \$300 million credit facility by entering into the Amended Credit Agreement (as defined below) which, amongst other matters, increased the borrowing capacity of our unsecured revolving credit facility from \$200 million (the "Prior Revolver") to \$350 million. As of the filing date of this Annual Report on Form 10-K, we had borrowings of \$15 million outstanding under the unsecured revolving credit facility, leaving \$335 million available. The Amended Credit Agreement has an accordion feature that permits us to request additional lender commitments up to an additional \$550 million, subject to certain conditions. As of December 31, 2016, our ratio of net debt to total market capitalization was 22.6%.

Competition

In acquiring our target properties, we compete with other public industrial property sector REITs, income oriented non-traded REITs, private real estate fund managers and local real estate investors and developers, some of which have greater financial resources or other competitive advantages than we do. Such competition may result in an increase in the amount we must pay to acquire a property or may require us to forgo an investment in properties which would otherwise meet our investment criteria. We also face significant competition in leasing available properties to prospective tenants and in re-leasing space to existing tenants. As a result, we may have to provide rent concessions, incur expenses for tenant improvements or offer other inducements to enable us to timely lease vacant space, all of which may have an adverse impact on our results of operations.

Insurance

We carry commercial property, liability, environmental and terrorism coverage on all the properties in our portfolio under a blanket insurance policy. In addition, we hold other environmental policies for certain properties with known environmental conditions that provides for additional coverage for potential environmental liabilities, subject to the policy's coverage conditions and limitations. Generally, we do not carry insurance for certain types of extraordinary losses, including, but not limited to, losses caused by floods (unless the property is located in a flood plan), earthquakes, riots, war and wildfires. Substantially all of our properties are located in areas that are subject to earthquakes and are not currently insured against such an event (either with a blanket policy or individual property policies). However, seismic risks are evaluated for all properties during acquisition by a qualified structural engineer. The engineer evaluates the conditions of the physical structure as well as the known geological features in the area to create a statistical analysis of the site. To the extent that the engineer identifies a property with weaknesses that contribute to a high statistical risk, the property will generally be structurally retrofitted to reduce the statistical risk to an acceptable level. In addition to the aforementioned proactive retrofitting of buildings, we will continue to monitor third-party earthquake insurance pricing and conditions and may consider obtaining third-party coverage if and when we deem it cost effective.

Segment and Geographic Financial Information

We manage our operations on an aggregated, single segment basis for purposes of assessing performance and making operating decisions and, accordingly, we have only one reporting and operating segment.

All of our business is conducted in Southern California. For information about our revenues, long-lived assets and other financial information, see our consolidated financial statements included in this report and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations."

Employees

As of December 31, 2016, we employed 90 full-time employees. We believe that relations with our employees are good. None of our employees are represented by a labor union.

Principal Executive Offices

Our principal executive offices are located 11620 Wilshire Boulevard, Suite 1000, Los Angeles, California 90025 (telephone 310-966-1680). We believe that our current facilities are adequate for our present and future operations.

Available Information

We file our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, Proxy Statements, Information Statements and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") with the U.S. Securities and Exchange Commission (the "SEC"). The public may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE.; Washington, DC 20549. The public may obtain information on the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains a website that contains reports, proxy details and other information regarding issuers that file electronically with the SEC at <http://www.sec.gov>.

Our website address is <http://www.rexfordindustrial.com>. We make available on our website, free of charge, our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, Proxy Statements, Information Statements and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after such materials are electronically filed with, or furnished to, the

SEC.

4

Our board of directors maintains charters for each of its committees and has adopted a written set of corporate governance guidelines and a code of business conduct and ethics applicable to independent directors, executive officers, employees and agents, each of which is available for viewing on our website at <http://www.rexfordindustrial.com> under the heading “Investor Relations—Company Information—Governance Documents.” Website addresses referred to in this Annual Report on Form 10-K are not intended to function as hyperlinks, and the information contained on our website is not incorporated into, and does not form a part of this Annual Report on Form 10-K or any other report or documents we file with or furnish to the SEC.

Regulation

General

Our properties are subject to various laws, ordinances and regulations, including regulations relating to common areas and fire and safety requirements. We believe that we have the necessary permits and approvals to operate each of our properties.

Americans with Disabilities Act

Our properties must comply with Title III of the Americans with Disabilities Act of 1990, as amended (the “ADA”) to the extent that such properties are “public accommodations” as defined under the ADA. Under the ADA, all public accommodations must meet federal requirements related to access and use by disabled persons. The ADA may require removal of structural barriers to access by persons with disabilities in certain public areas of our properties where such removal is readily achievable. Although we believe that the properties in our portfolio in the aggregate substantially comply with present requirements of the ADA, and we have not received any notice for correction from any regulatory agency, we have not conducted a comprehensive audit or investigation of all of our properties to determine whether we are in compliance and therefore we may own properties that are not in compliance with current ADA standards.

ADA compliance is dependent upon the tenant’s specific use of the property, and as the use of a property changes or improvements to existing spaces are made, we will take steps to ensure compliance. Noncompliance with the ADA could result in additional costs to attain compliance, imposition of fines by the U.S. government or an award of damages plus attorney’s fees to private litigants. The obligation to make readily achievable accommodations is an ongoing one, and we will continue to assess our properties and make alterations to achieve compliance as deemed commercially reasonable.

Environmental Matters

The properties that we acquire are subject to various federal, state and local environmental laws. Under these laws, courts and government agencies have the authority to require us, to the extent we own a contaminated property, to clean up the property, even if we did not know of or were not responsible for the contamination. These laws also apply to persons who owned a property at the time it became contaminated and, therefore, it is possible we could incur these costs even after we sell some of the properties we acquire. In addition to the costs of cleanup, environmental contamination can affect the value of a property and, therefore, an owner’s ability to borrow using the property as collateral or to sell the property. Under applicable environmental laws, courts and government agencies also have the authority to require that a person who sent waste to a waste disposal facility, such as a landfill or an incinerator, pay for the clean-up of that facility if it becomes contaminated and threatens human health or the environment.

Furthermore, various court decisions have established that third parties may recover damages for injury caused by property contamination. For instance, a person exposed to asbestos at a property may seek to recover damages if he or she suffers injury from the asbestos. Lastly, some of these environmental laws restrict the use of a property or place conditions on various activities. An example would be laws that require a business using chemicals to manage them carefully and to notify local officials that the chemicals are being used.

We could be responsible for any of the costs discussed above, which have the potential to be very significant. The costs to clean up a contaminated property, to defend against a claim or to comply with environmental laws could be material and could adversely affect the funds available for distribution to our stockholders. To mitigate some of the environmental risk, our properties are covered by a blanket environmental insurance policy. In addition, we hold other environmental policies for certain properties with known environmental conditions that provides for additional coverage for potential environmental liabilities. These policies, however, are subject to certain limits, deductibles and

exclusions, and insurance may not fully compensate us for any environmental liability. We require Phase I or similar environmental assessments by independent environmental consultants at the time of acquisition of a property. Phase I environmental investigations are a common form of real estate due diligence that are

5

governed by nationally recognized American Society for Testing and Materials (ASTM) standards and typically conducted by licensed environmental scientists. Phase I investigations commonly include a physical walk-through of the property in addition to a file review of the site. The file review includes creating a known operating history of the site. This includes but is not limited to inquiries with local governmental agencies as well as reviewing historical aerial reviews. If the consultant identifies any unexplained Recognized Environmental Concerns (“REC”) then the consultant typically recommends further investigation, usually through specific invasive property tests. This additional round of investigation is commonly referred to as a “Phase II”. Invasive testing may or may not include air, soil, soil vapor or ground water sampling. Additionally, it may or may not include an asbestos and/or lead based paint survey. Depending on the results of the initial Phase II investigation, the consultant may recommend further Phase II investigations, or if satisfied with the results, the consultant may decide the initial REC identified is no longer a concern. We generally expect to continue to obtain a Phase I or similar environmental site assessments by independent environmental consultants on each property prior to acquiring it. However, these environmental assessments may not reveal all environmental costs that might have a material adverse effect on our business, assets and results of operations or liquidity and may not identify all potential environmental liabilities.

We can make no assurances that (1) future laws, ordinances or regulations will not impose material environmental liabilities on us, or (2) the current environmental condition of our properties will not be affected by tenants, the condition of land or operations in the vicinity of our properties (such as releases from underground storage tanks), or by third parties unrelated to us.

Item 1A. Risk Factors

Set forth below are some (but not all) of the factors that could adversely affect our performance and financial condition. Moreover, we operate in a highly competitive and rapidly changing environment. New risk factors emerge from time to time, and it is not possible for us to predict all such risk factors, nor can it assess the impact of all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

We believe the following risks are material to our stockholders. You should carefully consider the following factors in evaluating our company, our properties and our business. The occurrence of any of the following risks could adversely affect our results of operations, cash flows and our ability to pay distributions on, and the per share trading price of, our common stock and might cause our stockholders to lose all or part of their investment. For purposes of this section, the term “stockholders” means the holders of shares of our common stock.

Risks Related to Our Business and Operations

Our portfolio of properties is concentrated in the industrial real estate sector, and our business would be adversely affected by an economic downturn in that sector.

Our properties are concentrated in the industrial real estate sector. This concentration exposes us to the risk of economic downturns in this sector to a greater extent than if our business activities included a more significant portion of other sectors of the real estate industry.

Our portfolio of properties is dependent upon regional and local economic conditions and is geographically concentrated in Southern California infill markets, which causes us to be especially susceptible to adverse developments in those markets.

All of our properties are located in Southern California, which may expose us to greater or lesser economic risks than if we owned a more geographically diverse portfolio. We are particularly susceptible to adverse economic or other conditions in Southern California (such as periods of economic slowdown or recession, business layoffs or downsizing, industry slowdowns, relocations of businesses, increases in real estate and other taxes and the cost of complying with governmental regulations or increased regulation), as well as to natural disasters that occur in this market (such as earthquakes, wild fires and other events). Most of our properties are located in areas known to be seismically active. Our properties are not currently insured against earthquakes (either with a blanket policy or individual property policies). Even if we obtain earthquake insurance in the future, the amount of our coverage may not be sufficient to fully cover losses from earthquakes and associated disasters. The Southern California market has experienced downturns in past years. Any future downturns in the Southern California economy could impact our

tenants' ability to continue to meet their rental obligations or otherwise adversely affect the size of our tenant base, which could materially adversely affect our operations and our revenue and cash available for distribution, including cash available to pay distributions to our stockholders. We cannot assure you that the Southern California market will grow or that underlying real estate fundamentals will be favorable to owners and operators of industrial properties. Our operations may also be

6

affected if competing properties are built in the Southern California market. In addition, the State of California is regarded as more litigious and more highly regulated and taxed than many other states, all of which may reduce demand for industrial space in California and may make it more costly to operate our business. Any adverse economic or real estate developments in the Southern California market, or any decrease in demand for industrial space resulting from the regulatory environment, business climate or energy or fiscal problems, could adversely impact us and our stockholders.

Our properties are concentrated in certain industries that make us susceptible to adverse events with respect to those industries.

Our properties are concentrated in certain industries, which, as of December 31, 2016, included the following (and accounted for the percentage of our total annualized base rent indicated): Warehousing (24.7%); Wholesale Trade (17.5%); Manufacturing (12.8%); Professional, Scientific, and Technical Services (7.4%); and Retail Trade (6.5%).

Any downturn in one or more of these industries, or in any other industry in which we may have a significant concentration now or in the future, could adversely affect our tenants who are involved in such industries. If any of these tenants is unable to withstand such downturn or is otherwise unable to compete effectively in its business, it may be forced to declare bankruptcy, fail to meet its rental obligations, seek rental concessions or be unable to enter into new leases, which could materially and adversely affect us.

Our debt level reduces cash available for distribution and may expose us to the risk of default under our debt obligations.

Payments of principal and interest on borrowings may leave us with insufficient cash resources to operate our properties or to pay the dividends necessary to maintain our REIT qualification. Our level of debt and the limitations imposed on us by our debt agreements could have significant adverse consequences, including the following:

- our cash flow may be insufficient to meet our required principal and interest payments;
- we may be unable to borrow additional funds as needed or on favorable terms, which could, among other things, adversely affect our ability to meet operational needs;
- we may be unable to refinance our indebtedness at maturity or the refinancing terms may be less favorable than the terms of our original indebtedness;
- we may be forced to dispose of one or more of our properties, possibly on unfavorable terms or in violation of certain covenants to which we may be subject;
- we may violate restrictive covenants in our loan documents, which would entitle the lenders to accelerate our debt obligations and in some cases commence foreclosure proceedings on one or more of our properties; and
- our default under any loan with cross default provisions could result in a default on other indebtedness.

Any loan defaults or property foreclosures may impact our ability to access capital in the future on favorable terms or at all, as well as our relationships with and/or perception among lenders, investors, tenants, brokers, analysts, vendors, employees and other parties. Furthermore, foreclosures could create taxable income without accompanying cash proceeds, which could hinder our ability to meet the REIT distribution requirements imposed by the Code. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Factors That May Influence Future Results of Operations.”

We may be unable to renew leases, lease vacant space or re-lease space as leases expire.

As of December 31, 2016, 8.2% of the rentable square footage of our portfolio was available for lease and leases representing 4.4% of the rentable square footage of our portfolio expired on December 31, 2016. In addition, leases representing 16.3% and 12.6% of the rentable square footage of the properties in our portfolio will expire in 2017 and 2018. We cannot assure you that our leases will be renewed or that our properties will be re-leased at rental rates equal to or above the current average rental rates or that we will not offer substantial rent abatements, tenant improvements, early termination rights or below-market renewal options to attract new tenants or retain existing tenants. If the rental rates for our properties decrease, or if our existing tenants do not renew their leases or we do not re-lease a significant portion of our available space and space for which leases will expire, our financial condition, results of operations, cash flows and our ability to pay distributions on, and the per share trading price of, our common stock could be adversely affected.

We may be unable to identify and complete acquisitions of properties that meet our criteria, which may impede our growth.

Our business strategy involves the acquisition of industrial properties meeting certain investment criteria in our target markets. These activities require us to identify suitable acquisition candidates or investment opportunities that meet our criteria and are compatible with our growth strategies. We may be unable to acquire properties identified as potential acquisition opportunities. Our ability to acquire properties on favorable terms, or at all, may expose us to the following significant risks:

7

- we may incur significant costs and divert management attention in connection with evaluating and negotiating potential acquisitions, including ones that we are subsequently unable to complete;
- even if we enter into agreements for the acquisition of properties, these agreements are subject to conditions to closing, which we may be unable to satisfy; and
- we may be unable to finance any given acquisition on favorable terms or at all.

If we are unable to finance property acquisitions or acquire properties on favorable terms, or at all, our financial condition, results of operations, cash flows and our ability to pay distributions on, and the per share trading price of, our common stock could be adversely affected. In addition, failure to identify or complete acquisitions of suitable properties could slow our growth.

Our acquisition activities may pose risks that could harm our business.

As a result of our acquisitions, we may be required to incur debt and expenditures and issue additional common stock or common units to pay for the acquired properties. These acquisitions may dilute our stockholders' ownership interest, delay or prevent our profitability and may also expose us to risks such as:

- the possibility that we may not be able to successfully integrate acquired properties into our existing portfolio or achieve the level of quality with respect to such properties to which tenants of our existing properties are accustomed;
- the possibility that senior management may be required to spend considerable time negotiating agreements and integrating acquired properties, diverting their attention from our other objectives;
- the possibility that we may overpay for a property;
- the possible loss or reduction in value of acquired properties; and
- the possibility of pre-existing undisclosed liabilities regarding acquired properties, including environmental or asbestos liability, for which our insurance may be insufficient or for which we may be unable to secure insurance coverage.

We cannot assure you that the price for any future acquisitions will be similar to prior acquisitions. If our revenue does not keep pace with these potential acquisition and expansion costs, we may incur net losses. There is no assurance that we will successfully overcome these risks or other problems encountered with acquisitions.

We may obtain limited or no warranties when we purchase a property, which increases the risk that we may lose invested capital in or rental income from such property.

Many properties that we have acquired and expect to acquire in the future are sold in "as is" condition, on a "where is" basis and "with all faults," without any warranties of merchantability or fitness for a particular use or purpose. In other acquisitions, the purchase agreements may contain only limited warranties, representations and indemnifications that will only survive for a limited period after the closing. Also, many sellers of real estate are single-purpose entities without any other significant assets. The purchase of properties with limited warranties or from undercapitalized sellers increases the risk that we may lose some or all of our invested capital in the property (and in some cases, have liabilities greater than our investment) as well as the loss of rental income from such property.

We face significant competition for acquisitions of real properties, which may reduce the number of acquisition opportunities available to us and increase the costs of these acquisitions.

The current market for acquisitions of industrial properties in Southern California continues to be extremely competitive. This competition may increase the demand for our target properties and, therefore, reduce the number of suitable acquisition opportunities available to us and increase the prices paid for such acquisition properties. We also face significant competition for attractive acquisition opportunities from an indeterminate number of investors, including publicly traded and privately held REITs, private equity investors and institutional investment funds, some of which have greater financial resources than we do, a greater ability to borrow funds to acquire properties and the ability to accept more risk than we can prudently manage, including risks with respect to the geographic proximity of investments and the payment of higher acquisition prices. This competition will increase if investments in real estate become more attractive relative to other forms of investment. Competition for investments may reduce the number of suitable investment opportunities available to us and may have the effect of increasing prices paid for such acquisition properties and/or reducing the rents we can charge and, as a result, adversely affecting our operating results. The impact of the legalization of certain types of marijuana production, distribution and use in California could increase competition to acquire industrial properties within infill Southern California markets, which could reduce the supply

of suitable investment

8

opportunities available to us and may have the effect of increasing prices paid for such acquisition properties and, as a result, adversely affecting our operating results.

We may be unable to source off-market or lightly marketed deal flow in the future.

As of December 31, 2016, approximately 69% of the acquisitions by deal count completed by us since our initial public offering (“IPO”) were acquired in off-market or lightly marketed transactions, which are transactions that are characterized by a lack of a formal marketing process and lack of widely disseminated marketing materials. Properties that are acquired by off-market or lightly marketed transactions are typically more attractive to us as a purchaser and are a core part of our strategic plan, because the absence of a formal or extended marketing/bidding period typically results in more favorable pricing, more favorable non-economic terms and often an ability to close transactions more rapidly. If we cannot obtain off-market or lightly marketed deal flow in the future, our ability to locate and acquire additional properties in the manner in which we have historically may be adversely affected and may cause us to revisit our core strategies.

Our future acquisitions may not yield the returns we expect.

Our future acquisitions and our ability to successfully operate the properties we acquire in such acquisitions may be exposed to the following significant risks:

- even if we are able to acquire a desired property, competition from other potential acquirers may significantly increase the purchase price;

- we may acquire properties that are not accretive to our results upon acquisition, and we may not successfully manage and lease those properties to meet our expectations;

- we may spend more than budgeted amounts to make necessary improvements or renovations to acquired properties; we may be unable to quickly and efficiently integrate new acquisitions, particularly acquisitions of portfolios of properties, into our existing operations, and as a result our results of operations and financial condition could be adversely affected;

- market conditions may result in higher than expected vacancy rates and lower than expected rental rates; and we may acquire properties subject to liabilities and without any recourse, or with only limited recourse, with respect to unknown or greater than expected liabilities such as liabilities for clean-up of undisclosed environmental contamination, claims by tenants, vendors or other persons dealing with the former owners of the properties, liabilities incurred in the ordinary course of business and claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties.

We may not be able to control our operating costs or our expenses may remain constant or increase, even if our revenues do not increase, causing our results of operations to be adversely affected.

Factors that may adversely affect our ability to control operating costs include the need to pay for insurance and other operating costs, including real estate taxes, which could increase over time, the need to periodically repair, renovate and re-lease space, the cost of compliance with governmental regulation, including zoning and tax laws, the potential for liability under applicable laws, interest rate levels and the availability of financing. If our operating costs increase as a result of any of the foregoing factors, our results of operations may be adversely affected.

The expense of owning and operating a property is not necessarily reduced when circumstances such as market factors and competition cause a reduction in income from the property. As a result, if revenues decline, we may not be able to reduce our expenses accordingly. Costs associated with real estate investments, such as real estate taxes, insurance, loan payments and maintenance, generally will not be reduced even if a property is not fully occupied or other circumstances cause our revenues to decrease.

High mortgage rates and/or unavailability of mortgage debt may make it difficult for us to finance or refinance properties, which could reduce the number of properties we can acquire, our net income and the amount of cash distributions we can make.

If mortgage debt is unavailable at reasonable rates, we may not be able to finance the purchase of properties. If we place mortgage debt on properties, we may be unable to refinance the properties when the loans become due, or to refinance on favorable terms. If interest rates are higher when we refinance our properties, our income could be reduced. If any of these events occur, our cash flow could be reduced. This, in turn, could reduce cash available for distribution to our stockholders and may hinder our ability to raise more capital by issuing more stock or by borrowing

more money. In addition, to the extent we are

9

unable to refinance the properties when the loans become due, we will have fewer debt guarantee opportunities available to offer under our Tax Matters Agreement, previously filed with the SEC.

Mortgage and other secured debt obligations expose us to the possibility of foreclosure, which could result in the loss of our investment in a property or group of properties subject to mortgage debt.

Incurring mortgage and other secured debt obligations increases our risk of property losses because defaults on indebtedness secured by properties may result in foreclosure actions initiated by lenders and ultimately our loss of the property securing any loans for which we are in default. Any foreclosure on a mortgaged property or group of properties could adversely affect the overall value of our portfolio of properties. For tax purposes, a foreclosure on any of our properties that is subject to a nonrecourse mortgage loan would be treated as a sale of the property for a purchase price equal to the outstanding balance of the debt secured by the mortgage. If the outstanding balance of the debt secured by the mortgage exceeds our tax basis in the property, we would recognize taxable income on foreclosure, but would not receive any cash proceeds, which could hinder our ability to meet the REIT distribution requirements imposed by the Code.

Some of our financing arrangements involve balloon payment obligations, which may adversely affect our financial condition and our ability to make distributions.

Some of our financing arrangements require us to make a lump-sum or “balloon” payment at maturity. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources.” Our ability to satisfy a balloon payment at maturity is uncertain and may depend upon our ability to obtain additional financing or our ability to sell the property. At the time the balloon payment is due, we may or may not be able to refinance the existing financing on terms as favorable as the original loan or sell the property at a price sufficient to satisfy the balloon payment. The effect of a refinancing or sale could affect the rate of return to stockholders and the projected time of disposition of our assets. In addition, payments of principal and interest made to service our debts may leave us with insufficient cash to pay the distributions that we are required to pay to maintain our qualification as a REIT.

Failure to hedge effectively against interest rate changes may adversely affect us.

Subject to the rules related to maintaining our qualification as a REIT, we may enter into hedging transactions to protect us from the effects of interest rate fluctuations on floating rate debt. As of December 31, 2016, we have six interest rate swaps in place for the purpose of mitigating our exposure to fluctuations in short-term interest rates. Two of these swaps have notional values of \$30 million and \$29.7 million, and currently fix the interest rate on our \$59.7 million term loan as follows: (i) \$30.0 million at 3.726% from January 15, 2015 to February 15, 2019 and (ii) \$29.7 million at 3.910% for the period from July 15, 2015 to February 15, 2019. Two other swaps each have a notional value of \$50.0 million, and were executed to fix the interest rate on our \$100 million unsecured term loan facility as follows: (i) \$50.0 million at 1.790% plus an applicable margin under the terms of the loan agreement from August 14, 2015 to December 14, 2018 and (ii) \$50.0 million at 2.005% plus an applicable margin under the terms of the loan agreement from February 16, 2015 to December 14, 2018. The remaining two swaps have notional values of \$125.0 million and \$100.0 million, and were executed to fix the interest rate on our \$225 million unsecured term loan facility as follows: (i) \$125.0 million at 1.349% plus an applicable margin under the terms of the loan agreement from February 14, 2018 to January 14, 2022 and (ii) \$100.0 million at 1.406% plus an applicable margin under the terms of the loan agreement from August 14, 2018 to January 14, 2022.

Our future hedging transactions may include entering into additional interest rate cap agreements or interest rate swap agreements. These agreements involve risks, such as the risk that such arrangements would not be effective in reducing our exposure to interest rate changes or that a court could rule that such an agreement is not legally enforceable. In addition, interest rate hedging can be expensive, particularly during periods of rising and volatile interest rates. Hedging could reduce the overall returns on our investments. In addition, while such agreements would be intended to lessen the impact of rising interest rates on us, they could also expose us to the risk that the other parties to the agreements would not perform, we could incur significant costs associated with the settlement of the agreements or that the underlying transactions could fail to qualify as highly effective cash flow hedges under Financial Accounting Standards Board, or FASB, Accounting Standards Codification (“ASC”), Topic 815, Derivatives and Hedging. In addition, the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank”) went into

effect in 2010. Dodd-Frank created a new regulatory framework for oversight of derivatives transactions by the Commodity Futures Trading Commission (the “CFTC”) and the SEC. Among other things, Dodd-Frank subjects certain swap participants to new capital, margin and business conduct standards. In addition, Dodd-Frank contemplates that where appropriate in light of outstanding exposures, trading liquidity and other factors, swaps (broadly defined to include most hedging instruments other than futures) will be required to be cleared through a registered clearing facility and traded on a designated exchange or swap execution facility. There are some exceptions to these requirements for entities that use swaps to hedge or mitigate commercial risk. While we believe we qualify for one or more of such exceptions (including with respect to our existing interest rate swaps),

the scope of these exceptions is still considered uncertain and will be further defined over time. Further, although we may qualify for exceptions, our derivatives counterparties may be subject to new capital, margin and business conduct requirements imposed as a result of the legislation, which may increase our transaction costs or make it more difficult for us to enter into additional hedging transactions on favorable terms. Our inability to enter into future hedging transactions on favorable terms, or at all, could increase our operating expenses and put us at increased exposure to interest rate risks.

Our unsecured credit facility, unsecured notes and certain of our other secured loans contain, and any other future indebtedness we incur may contain, various covenants, and the failure to comply with those covenants could materially adversely affect us.

Our unsecured credit facility, unsecured notes and certain of our other secured loans contain, and any other future indebtedness we incur may contain, certain covenants, which, among other things, restrict our activities, including, as applicable, our ability to sell the underlying property without the consent of the holder of such indebtedness, to repay or defease such indebtedness or to engage in mergers or consolidations that result in a change in control of our company. We are also subject to financial and operating covenants. Failure to comply with any of these covenants would likely result in a default under the applicable indebtedness that would permit the acceleration of amounts due thereunder and under other indebtedness and foreclosure of properties, if any, serving as collateral therefor.

Our unsecured credit facility, unsecured notes and certain of our other secured loans will restrict our ability to engage in some business activities.

Our unsecured credit facility and unsecured notes contains customary negative covenants and other financial and operating covenants that, among other things:

- restrict our ability to incur additional indebtedness;
- restrict our ability to make certain investments;
- limit our ability to make capital expenditures;
- restrict our ability to merge with another company;
- restrict our ability to make distributions to stockholders; and
- require us to maintain financial coverage ratios.

These limitations will restrict our ability to engage in some business activities that may otherwise be in our best interests. In addition, our unsecured credit facility, unsecured notes and secured term loan contain specific cross-default provisions with respect to specified other indebtedness, giving the lenders the right to declare a default if we are in default under other loans in some circumstances.

Adverse changes in our credit rating could impair our ability to obtain future debt and equity financing on favorable terms, if at all.

Our credit rating is based on our operating performance, liquidity and leverage ratios, overall financial position and other factors employed by the credit rating agencies in their rating analysis of us. Our credit rating can affect the amount and type of capital we can access, as well as the terms of any financings we may obtain. There can be no assurance that we will be able to maintain our current credit rating. In the event our current credit rating is downgraded, it may become difficult or expensive to obtain additional financing or refinance existing obligations and commitments.

We may be subject to litigation or threatened litigation, which may divert management time and attention, require us to pay damages and expenses or restrict the operation of our business.

We may be subject to litigation or threatened litigation. In particular, we are subject to the risk of complaints by our tenants involving premises liability claims and alleged violations of landlord-tenant laws, which may give rise to litigation or governmental investigations, as well as claims and litigation relating to real estate rights, access, legal compliance or uses of our properties, stockholder claims or claims by limited partners in our Operating Partnership, vendor contractual claims and asset purchase and sale related claims. Some of these claims may result in significant defense costs and potentially significant judgments against us, some of which are not, or cannot be, insured against. Additionally, whether or not any dispute actually proceeds to litigation, we may be required to devote significant management time and attention to its successful resolution (through litigation, settlement or otherwise), which would detract from our management's ability to focus on our business. Any such resolution could involve the payment of

damages or expenses by us, which may be significant, or involve our agreement with terms that restrict the operation of our business. We generally intend to vigorously defend ourselves; however, we cannot be

certain of the ultimate outcomes of currently asserted claims or of those that may arise in the future. Resolution of these types of matters against us may result in our having to pay significant fines, judgments, or settlements, which, if uninsured, or if the fines, judgments, and settlements exceed insured levels, could adversely impact our earnings and cash flows, thereby having an adverse effect on us and our stockholders. Certain litigation or the resolution of certain litigation may affect the availability or cost of some of our insurance coverage and could expose us to increased risks that would be uninsured, and/or adversely impact our ability to attract directors, officers and other key employees. Compliance or failure to comply with the Americans with Disabilities Act, California Energy Efficiency Standards, and other regulations could result in substantial costs.

Under the Americans with Disabilities Act and parallel California statutes, certain requirements related to access and use by disabled persons must be met. Noncompliance could result in the imposition of fines by the federal and state governments or the award of damages to private litigants. Under recently updated California energy efficiency standards, referred to as Title 24 or The Energy Efficiency Standards for Residential and Nonresidential Buildings, building owners may incur increased costs to renovate properties in order to meet changing energy efficiency standards. If we are required to make unanticipated expenditures or substantial modifications to our properties, whether to comply with the Americans with Disabilities Act and parallel California statutes, Title 24, or other changes in governmental rules and regulations, our financial condition, cash flows, results of operations, the market price of our shares of common stock and preferred stock and our ability to make distributions to our stockholders could be adversely affected.

Adverse U.S. and global market, economic and political conditions and other events or circumstances beyond our control could have a material adverse effect on us.

Another economic or financial crisis or rapid decline of the consumer economy, significant concerns over energy costs, geopolitical issues, the availability and cost of credit, the U.S. mortgage market, or a declining real estate market in the U.S. can contribute to increased volatility, diminished expectations for the economy and the markets, and high levels of structural unemployment by historical standards. As was the case from 2008 through 2010, these factors, combined with volatile oil prices and fluctuating business and consumer confidence, can precipitate a steep economic decline.

Additionally, political uncertainty from matters such as the transitioning to a new presidential administration under President Donald J. Trump, changes in governmental policy on a variety of matters such as trade and manufacturing policies, and geopolitical matters such as the exit of the United Kingdom from the European Union and possible restructuring of trade agreements contribute to potential risks beyond our control. It is not possible to predict whether these economic and political occurrences might negatively impact the economies around the world, including the U.S. and Southern California. If these macro-economic and political issues are not managed appropriately, they could lead to currency, sovereign debt or banking crises, other financial and trade turmoil and uncertainty, and lower occupancy, rents and values for individual real estate in our markets.

Recurring U.S. debt ceiling and budget deficit concerns, together with sovereign debt conditions in Europe, also increase the possibility of additional downgrades of sovereign credit ratings and economic slowdowns. This was the case when Standard & Poor's Ratings Services lowered its long-term sovereign credit rating on the U.S. from "AAA" to "AA+" in August 2011. The impact of any downgrades to the U.S. government's sovereign credit rating and that of other nations, or their perceived creditworthiness, is inherently unpredictable and could adversely affect the U.S. and global financial markets and economic conditions. These developments have the potential to cause interest rates and borrowing costs to rise, which may negatively impact our ability to access the debt markets on favorable terms. In addition, lowered credit ratings of the U.S. and other governments could create financial turmoil and uncertainty, which may exert downward pressure on the market price of our common stock.

Our business may be adversely affected by global market, political and economic challenges, including dislocations and volatility in the credit markets and general global economic uncertainty, including the effect of the slowing Chinese economy. These conditions may adversely affect our financial condition, results of operations, cash flows and our ability to pay distributions on, and the per share trading price of, our common stock as a result of the following potential consequences, among others:

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decreased demand for industrial space, which would cause market rental rates and property values to be negatively impacted;

reduced values of our properties may limit our ability to dispose of assets at attractive prices, or at all, or to obtain debt financing secured by our properties and may reduce the availability of unsecured loans; and our ability to obtain financing on terms and conditions that we find acceptable, or at all, may be limited, which could reduce our ability to pursue acquisition and redevelopment opportunities and refinance existing debt, reduce our returns from our acquisition and redevelopment activities and increase our future interest expense.

In addition, global market, political and economic conditions could adversely affect the businesses of many of our tenants. As a result, we may see increases in bankruptcies of our tenants and increased defaults by tenants, and we may experience higher vacancy rates and delays in re-leasing vacant space, which could negatively impact our business and results of operations.

Failure of the U.S. federal government to manage its fiscal matters may negatively impact the economic environment and adversely impact our results of operations.

An inability of the U.S. federal government to manage its fiscal matters, or manage its debt may result in the loss of economic confidence domestically and globally, reduce investment spending, increase borrowing costs, impact availability and cost of capital, and significantly reduce economic activity. Furthermore, a failure by the U.S. federal government to enact appropriate fiscal legislation may significantly impact the national and global economic and financial environment and affect our business and the businesses of our tenants. If economic conditions severely deteriorate as a result of government fiscal gridlock, our ability to lease space to our tenants may be significantly impacted.

An increase in interest rates could adversely impact our financial condition results of operations and cash flows. Our financial condition, results of operations and cash flows could be significantly affected by changes in interest rates. During 2016, as a result of actions taken by the Federal Reserve, market interest rates increased. Future increases in market interest rates would increase our interest expense under our unhedged variable rate borrowings and would increase the costs of refinancing existing indebtedness or obtaining new debt. In addition, increases in market interest rates may result in a decrease in the value of our real estate and a decrease in the market price of our common stock. Increases in market interest rates may also adversely affect the securities markets generally, which could reduce the market price of our common stock without regard to our operating performance. Accordingly, unfavorable changes to our borrowing costs and stock price could significantly impact our ability to access new debt and equity capital going forward.

Changes in laws, regulations, and financial accounting standards may adversely affect our reported results of operations.

As a response, in large part, to perceived abuses and deficiencies in current regulations believed to have caused or exacerbated the recent global financial crisis, legislative, regulatory, and accounting standard-setting bodies around the world are engaged in an intensive, wide-ranging examination and rewriting of the laws, regulations, and accounting standards that have constituted the basic playing field of global and domestic business for several decades. In many jurisdictions, including the U.S., the legislative and regulatory response has included the extensive reorganization of existing regulatory and rule-making agencies and organizations, and the establishment of new agencies with broad powers. This reorganization has disturbed longstanding regulatory and industry relationships and established procedures.

The rule-making and administrative efforts have focused principally on the areas perceived as having contributed to the financial crisis, including banking, investment banking, securities regulation, and real estate finance, with spillover impacts on many other areas. These initiatives have created a significant degree of uncertainty regarding the basic rules governing the real estate industry and many other businesses.

The global financial crisis and the aggressive government and accounting profession reaction thereto have occurred against a backdrop of increasing globalization and internationalization of financial and securities regulation that began prior to the recent financial crisis. As a result of this ongoing trend, financial and investment activities previously regulated almost exclusively at a local or national level are increasingly being regulated, or at least coordinated, on an international basis, with national rule-making and standard-setting groups relinquishing varying degrees of local and national control to achieve more uniform regulation and reduce the ability of market participants to engage in regulatory arbitrage between jurisdictions. This globalization trend has continued, arguably with an increased sense of urgency and importance, since the financial crisis.

This high degree of regulatory uncertainty, coupled with considerable additional uncertainty regarding the underlying condition and prospects of global, domestic, and local economies, has created a business environment that makes business planning and projections even more uncertain than is ordinarily the case for businesses in the financial and real estate sectors.

In the commercial real estate sector in which we operate, the uncertainties posed by various initiatives of accounting standard-setting authorities to fundamentally rewrite major bodies of accounting literature constitute a significant source of uncertainty as to the basic rules of business engagement. Changes in accounting standards and requirements, including the potential requirement that U.S. public companies prepare financial statements in accordance with international standards, proposed lease and investment property accounting standards, and the adoption of accounting standards likely to require the increased use of “fair value” measures, may have a significant effect on our financial results and on the results of our client

tenants, which would have a secondary impact on us. New accounting pronouncements and interpretations of existing pronouncements are likely to continue to occur at an accelerated pace as a result of recent Congressional and regulatory actions and continuing efforts by the accounting profession itself to reform and modernize its principles and procedures.

Although we have not been as directly affected by the wave of new legislation and regulation as banks and investment banks, we may also be adversely affected by new or amended laws or regulations; by changes in federal, state, or foreign tax laws and regulations; and by changes in the interpretation or enforcement of existing laws and regulations. In the U.S., the financial crisis and continuing economic slowdown prompted a variety of legislative, regulatory, and accounting profession responses.

The federal legislative response culminated in the enactment on July 21, 2010, of Dodd-Frank. Dodd-Frank contains far-reaching provisions that substantially revise, or provide for the revision of, longstanding, fundamental rules governing the banking and investment banking industries, and provide for the broad restructuring of the regulatory authorities in these areas. Dodd-Frank has resulted in, and is expected to continue to result in, profound changes in the ground rules for financial business activities in the U.S.

To a large degree, the impacts of the legislative, regulatory, and accounting reforms to date are still not clear. Many of the provisions of Dodd-Frank have extended implementation periods and delayed effective dates and will require extensive rule making by regulatory authorities. Further, actions by President Donald J. Trump's administration may alter Dodd-Frank implementation, interpretation and/or enforcement. While we do not currently expect Dodd-Frank to have a significant direct impact on us, Dodd-Frank's impact on us may not be known for an extended period of time. Dodd-Frank, including current and future rules implementing its provisions and the interpretation of those rules, along with other legislative and regulatory proposals directed at the financial or real estate industries or affecting taxation that are proposed or pending in the U.S. Congress, may limit our revenues, impose fees or taxes on us, and/or intensify the regulatory framework within which we operate in ways that are not currently identifiable. Dodd-Frank also has resulted in, and is expected to continue to result in, substantial changes and dislocations in the banking industry and the financial services sector in ways that could have significant effects on, for example, the availability and pricing of unsecured credit, commercial mortgage credit, and derivatives, such as interest rate swaps, which are important aspects of our business. Accordingly, new laws, regulations, and accounting standards, as well as changes to, or new interpretations of, currently accepted accounting practices in the real estate industry may adversely affect our results of operations.

Changes in the system for establishing U.S. accounting standards may result in adverse fluctuations in our reported asset and liability values and earnings, and may materially and adversely affect our reported results of operations. Accounting for public companies in the U.S. has historically been conducted in accordance with U.S. Generally Accepted Accounting Principles ("GAAP") as established by the Financial Accounting Standards Board ("FASB"), an independent body whose standards are recognized by the SEC as authoritative for publicly held companies. The International Accounting Standards Board ("IASB") is a London-based independent board established in 2001 and charged with the development of International Financial Reporting Standards ("IFRS"). IFRS generally reflects accounting practices that prevail in Europe and in developed nations in other parts of the world.

IFRS differs in material respects from GAAP. Among other things, IFRS has historically relied more on "fair value" models of accounting for assets and liabilities than GAAP. "Fair value" models are based on periodic revaluation of assets and liabilities, often resulting in fluctuations in such values as compared to GAAP, which relies more frequently on historical cost as the basis for asset and liability valuation.

The SEC is still analyzing and considering whether IFRS should be incorporated into the U.S. financial reporting system. It is unclear at this time how and when the SEC will propose that GAAP and IFRS be harmonized if the decision to incorporate is adopted. In addition, incorporating a new method of accounting and adopting IFRS will be a complex undertaking. We may need to develop new systems and controls based on the principles of IFRS. Since these are new endeavors, and the precise requirements of the pronouncements ultimately adopted are not now known, the magnitude of costs associated with this conversion is uncertain.

We are subject to financial reporting and other requirements for which our accounting, internal audit and other management systems and resources may not be adequately prepared and we may not be able to accurately report our financial results.

We are subject to reporting and other obligations under the Exchange Act, including the requirements of Section 404 of the Sarbanes-Oxley Act of 2002. Section 404 requires annual management assessments of the effectiveness of our internal controls over financial reporting and a report by our independent registered public accounting firm addressing these assessments.

These reporting and other obligations place significant demands on our management, administrative, operational, internal audit and accounting resources and cause us to incur significant expenses, and changes to our business will necessitate ongoing changes to our internal control systems and processes. We may need to upgrade our systems or create new systems; implement additional financial and management controls, reporting systems and procedures; expand our internal audit function; and hire additional accounting, internal audit and finance staff. If we are unable to accomplish these objectives in a timely and effective fashion, our ability to comply with the financial reporting requirements and other rules that apply to reporting companies could be impaired. Any failure to maintain effective internal controls could have a material adverse effect on our business, operating results and price of our common stock.

Our business could be adversely impacted if we have deficiencies in our disclosure controls and procedures or internal controls over financial reporting.

The design and effectiveness of our disclosure controls and procedures and internal control over financial reporting may not prevent all errors, misstatements or misrepresentations. While management continually reviews the effectiveness of our disclosure controls and procedures and internal control over financial reporting, there can be no guarantee that our internal control over financial reporting will be effective in accomplishing all control objectives all of the time. Deficiencies, including any material weakness, in our internal control over financial reporting that may occur in the future could result in misstatements or restatements of our financial statements or a decline in the price of our securities.

We face significant competition in the leasing market, which may decrease or prevent increases of the occupancy and rental rates of our properties.

We compete with numerous developers, owners and operators of real estate, many of which own properties similar to ours in the same submarkets in which our properties are located. If our competitors offer space at rental rates below current market rates, or below the rental rates we currently charge our tenants, we may lose existing or potential tenants and we may be pressured to reduce our rental rates below those we currently charge or to offer more substantial tenant concessions or tenant rights (including rent abatements, tenant improvements, early termination rights or below-market renewal options) in order to retain tenants when our tenants' leases expire or to attract new tenants.

We may be required to make rent or other concessions and/or significant capital expenditures to improve our properties in order to retain and attract tenants.

Occupancy and rental rates are the primary drivers of our revenue and significantly impact us and our stockholders. In order to attract and retain tenants, we may be required to make rent or other concessions to tenants, accommodate requests for renovations, build-to-suit remodeling and other improvements or provide additional services to our tenants. Additionally, when a tenant at one of our properties does not renew its lease or otherwise vacates its space, it is likely that, in order to attract one or more new tenants, we will be required to expend funds for improvements in the vacated space. As a result, we may have to make significant capital or other expenditures in order to retain tenants whose leases expire and to attract new tenants in sufficient numbers. Additionally, we may need to raise capital to make such expenditures. If we are unable to do so or if capital is otherwise unavailable, we may be unable to make the required expenditures. This could result in non-renewals by tenants upon expiration of their leases and/or an inability to attract new tenants.

A substantial majority of the leases at our properties are with tenants who have non-investment grade credit ratings, which may result in our leasing to tenants that are more likely to default in their obligations to us than a tenant with an investment grade credit rating.

A substantial majority of the leases at our properties are with tenants who have non-investment grade credit ratings. The ability of a non-investment grade tenant to meet its obligations to us cannot be considered as well assured as that of an investment grade tenant. All of our tenants may face exposure to adverse business or economic conditions which could lead to an inability to meet their obligations to us. However, non-investment grade tenants may not have the financial capacity or liquidity to adapt to these conditions or may have less diversified businesses, which may exacerbate the effects of adverse conditions on their businesses. Moreover, the fact that a substantial majority of our

tenants are not investment grade may cause investors or lenders to view our cash flows as less stable, which may increase our cost of capital, limit our financing options or adversely affect the trading price of our common stock.

Some of our tenants have historically filed for bankruptcy protection or become insolvent. This may occur with tenants in the future, and we are particularly at risk because of the credit rating of much of our tenant base. The bankruptcy or insolvency of a major tenant also may adversely affect the income produced by our properties. If any tenant becomes a debtor in a case under the U.S. Bankruptcy Code, we cannot evict the tenant solely because of the bankruptcy. In addition, the bankruptcy court might authorize the tenant to reject and terminate their lease with us. Our claim against the tenant for unpaid future rent would be subject to a statutory cap that might be substantially less than the remaining rent actually owed under the lease. Also, our claim for unpaid rent would likely not be paid in full. Failed banks or banks involved in government-facilitated sales are subject to the Federal Deposit Insurance Corporation's (the "FDIC") statutory authority and receivership process. The FDIC has receivership powers that are substantially broader than those of a bankruptcy trustee. In dealing with the FDIC in any repudiation of a lease, we as landlord are likely to be in a less favorable position than with a debtor in a bankruptcy proceeding. Many of the creditor protections that exist in a bankruptcy proceeding do not exist in a FDIC receivership.

The actual rents we receive for the properties in our portfolio may be less than our asking rents, and we may experience lease roll down from time to time.

As a result of various factors, including competitive pricing pressure in our submarkets, adverse conditions in the Southern California real estate market, a general economic downturn and a decline in the desirability of our properties compared to other properties in our submarkets, we may be unable to realize the asking rents for properties in our portfolio. In addition, the degree of discrepancy between our asking rents and the actual rents we are able to obtain may vary both from property to property and among different leased spaces within a single property. In addition, depending on fluctuations in asking rental rates at any given time, from time to time rental rates for expiring leases in our portfolio may be higher than starting rental rates for new leases. We cannot assure you that leases will be renewed or that our properties will be re-let at rental rates equal to or above our current average rental rates or that substantial rent abatements, tenant improvements, early termination rights or below-market renewal options will not be offered to attract new tenants or retain existing tenants. If we are unable to obtain rental rates comparable to our asking rents for properties in our portfolio, our ability to generate cash flow growth will be negatively impacted. Significant rent reductions could result in a write-down of one or more of our consolidated properties and/or adversely affect the market price of our common stock, our financial condition and our results of operations, including our ability to satisfy our debt service obligations and to pay dividends to our stockholders. Moreover, the resale value of a property could be diminished because the market value of a particular property depends principally upon the value of the leases of such property.

We may acquire properties or portfolios of properties through tax-deferred contribution transactions, which could result in stockholder dilution and limit our ability to sell such assets.

In the future, we may acquire properties or portfolios of properties through tax-deferred contribution transactions in exchange for partnership interests in our Operating Partnership, which may result in stockholder dilution. This acquisition structure may have the effect of, among other things, reducing the amount of tax depreciation we are able to deduct over the tax life of the acquired properties, and may require that we agree to protect the contributors' ability to defer recognition of taxable gain through restrictions on our ability to dispose of the acquired properties and/or the allocation of partnership debt to the contributors to maintain their tax bases. These restrictions limit our ability to sell an asset at a time, or on terms, that would be favorable absent such restrictions.

Our real estate development, redevelopment and repositioning activities are subject to risks particular to development, redevelopment and repositioning.

We may engage in development, redevelopment or repositioning activities with respect to certain of our properties. To the extent that we do so, we will be subject to the following risks associated with such development, redevelopment and repositioning activities:

- unsuccessful development, redevelopment or repositioning opportunities could result in direct expenses to us;
- construction, redevelopment or repositioning costs of a project may exceed original estimates, possibly making the project less profitable than originally estimated, or unprofitable;
- time required to complete the construction, redevelopment or repositioning of a project or to lease up the completed project may be greater than originally anticipated, thereby adversely affecting our cash flow and liquidity;

contractor and subcontractor disputes, strikes, labor disputes or supply disruptions, which may cause delays or increase costs;

failure to achieve expected occupancy and/or rent levels within the projected time frame, if at all;

delays with respect to obtaining or the inability to obtain necessary zoning, occupancy, land use and other governmental permits, and changes in zoning and land use laws;

occupancy rates and rents of a completed project may not be sufficient to make the project profitable; our ability to dispose of properties developed, redeveloped or repositioned with the intent to sell could be impacted by the ability of prospective buyers to obtain financing given the current state of the credit markets; and the availability and pricing of financing to fund our development activities on favorable terms or at all.

These risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent completion of development, redevelopment or repositioning activities once undertaken.

Our success depends on key personnel whose continued service is not guaranteed, and the loss of one or more of our key personnel could adversely affect our ability to manage our business and to implement our growth strategies, or could create a negative perception in the capital markets.

Our continued success and our ability to manage anticipated future growth depend, in large part, upon the efforts of key personnel, particularly Messrs. Schwimmer, Frankel and Khan who have extensive market knowledge and relationships and exercise substantial influence over our operational, financing, acquisition and disposition activity. Our ability to retain our senior management, particularly Messrs. Schwimmer, Frankel and Khan or to attract suitable replacements should any members of our senior management leave, is dependent on the competitive nature of the employment market. We have not obtained and do not expect to obtain key man life insurance on any of our key personnel. The loss of services of one or more members of our senior management team, or our inability to attract and retain highly qualified personnel, could adversely affect our business, diminish our investment opportunities and weaken our relationships with lenders, business partners, existing and prospective tenants and industry participants. Further, the loss of a member of our senior management team could be negatively perceived in the capital markets. Potential losses, including from adverse weather conditions and natural disasters, may not be covered by insurance. We carry commercial property, liability, environmental and terrorism coverage on all the properties in our consolidated portfolio under a blanket insurance policy, in addition to other coverages that are appropriate for certain of our properties. We will select policy specifications and insured limits that we believe to be appropriate and adequate given the relative risk of loss, the cost of the coverage and industry practice. Some of our policies are insured subject to limitations involving significant deductibles or co-payments and policy limits that may not be sufficient to cover losses. In addition, we may discontinue terrorism or other insurance on some or all of our properties in the future if the cost of premiums for any such policies exceeds, in our judgment, the value of the coverage discounted for the risk of loss. Currently, we do not carry insurance for certain types of extraordinary losses, such as loss from earthquakes, riots, war and wildfires because we believe such coverage is cost prohibitive or available at a disproportionately high cost. As a result, we may incur significant costs in the event of loss from earthquakes, wildfires, riots, war and other uninsured losses. If we do obtain insurance for any of those risks in the future, such insurance cost may impact the operating costs and net cash flow of our properties.

If we or one or more of our tenants experiences a loss that is uninsured or that exceeds policy limits, we could lose the capital invested in the damaged properties as well as the anticipated future cash flows from those properties. In addition, if the damaged properties are subject to recourse indebtedness, we would continue to be liable for the indebtedness, even if these properties were irreparably damaged. Furthermore, we may not be able to obtain adequate insurance coverage at reasonable costs in the future as the costs associated with property and casualty renewals may be higher than anticipated.

All of the properties in our portfolio are located in areas that are prone to earthquake activity and we are not insured against such an event.

All of the properties in our portfolio are located in Southern California, an area that is particularly prone to seismic activity. According to the U.S. Geological Service, in places where fault systems do not experience frequent tiny shocks and a few moderate earth tremors, strain can build up, producing earthquakes when the strain on tectonic plates releases. In Southern California, the largest most recent quake occurred in 1994 in Northridge, over 20 years ago. A severe earthquake in the Southern California region could result in uninsured damage to a subset or even a substantial portion of our portfolio and could significantly impact our cash flow.

We do not currently carry insurance for losses resulting from earthquakes because we do not believe appropriate coverage is available at a cost commensurate with the loss risk. We will continue to monitor third-party earthquake insurance pricing and conditions and may consider obtaining third-party coverage in the future if we deem it cost

effective. However, until we obtain such coverage, we would be required to bear all losses, including loss of invested capital and anticipated future cash

17

flows, occurring at these properties as a result of an earthquake. If we do obtain insurance for earthquake risks in the future, such insurance cost may impact the operating costs and net cash flow of our properties.

We may not be able to rebuild our existing properties to their existing specifications if we experience a substantial or comprehensive loss of such properties.

In the event that we experience a substantial or comprehensive loss of one of our properties, we may not be able to rebuild such property to its existing specifications. Further, reconstruction or improvement of such a property would likely require significant upgrades to meet zoning and building code requirements. Environmental and legal restrictions could also restrict the rebuilding of our properties.

Existing conditions at some of our properties may expose us to liability related to environmental matters.

Independent environmental consultants conducted a Phase I or similar environmental site assessment on most of our properties at the time of their acquisition or in connection with subsequent financings. Such Phase Is or similar environmental site assessments are limited in scope and may not include or identify all potential environmental liabilities or risks associated with the relevant properties. We do not intend to obtain new or updated Phase Is or similar environmental site assessments in the ordinary course of business absent a specific need. This may expose us to liability related to unknown or unanticipated environmental matters. Unless required by applicable laws or regulations, we may not further investigate, remedy or ameliorate the liabilities disclosed in the existing Phase Is or similar environmental site assessments and this failure may expose us to liability in the future.

We may be unable to sell a property if or when we decide to do so.

We expect to hold the various real properties until such time as we decide that a sale or other disposition is appropriate. Our ability to dispose of properties on advantageous terms depends on factors beyond our control, including competition from other sellers and the availability of attractive financing for potential buyers of our properties. We cannot predict the various market conditions affecting the industrial real estate market which will exist at any particular time in the future. Due to the uncertainty of market conditions which may affect the future disposition of our properties, we cannot assure you that we will be able to sell any properties identified for sale at favorable pricing and may not receive net income from the transaction.

Furthermore, we may be required to expend funds to correct defects or to make improvements before a property can be sold. We cannot assure you that we will have funds available to correct such defects or to make such improvements.

Joint venture investments could be adversely affected by our lack of sole decision-making authority, our reliance on co-venturers' financial condition and disputes between us and our co-venturers.

We have co-invested in the past, and may co-invest again in the future, with third parties through partnerships, joint ventures or other entities, acquiring non-controlling interests in or sharing responsibility for managing the affairs of a property, partnership, joint venture or other entity. In such event, we would not be in a position to exercise sole decision-making authority regarding the property, partnership, joint venture or other entity. Investments in partnerships, joint ventures or other entities may, under certain circumstances, involve risks not present were a third party not involved, including the possibility that partners or co-venturers might become bankrupt or fail to fund their share of required capital contributions. Partners or co-venturers may have economic or other business interests or goals which are inconsistent with our business interests or goals, and may be in a position to take actions contrary to our policies or objectives, and they may have competing interests in our markets that could create conflict of interest issues. Such investments may also have the potential risk of impasses on decisions, such as a sale, because neither we nor the partner or co-venturer would have full control over the partnership or joint venture. In addition, prior consent of our joint venture partners may be required for a sale or transfer to a third party of our interests in the joint venture, which would restrict our ability to dispose of our interest in the joint venture. If we become a limited partner or non-managing member in any partnership or limited liability company and such entity takes or expects to take actions that could jeopardize our company's status as a REIT or require us to pay tax, we may be forced to dispose of our interest in such entity. Disputes between us and partners or co-venturers may result in litigation or arbitration that would increase our expenses and prevent our officers and/or directors from focusing their time and effort on our business. Consequently, actions by or disputes with partners or co-venturers might result in subjecting properties owned by the partnership or joint venture to additional risk. In addition, we may in certain circumstances be liable for

the actions of our third-party partners or co-venturers. Our joint ventures may be subject to debt and, in volatile credit markets, the refinancing of such debt may require equity capital calls.

Our growth depends on external sources of capital that are outside of our control and may not be available to us on commercially reasonable terms or at all.

In order to qualify and maintain our qualification as a REIT, we are required under the Code, among other things, to distribute annually at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gain. In addition, we will be subject to income tax at regular corporate rates to the extent that we distribute less than 100% of our REIT taxable income, determined without regard to the dividends paid deduction, including any net capital gains. Because of these distribution requirements, we are highly dependent on third-party sources to fund capital needs, including any necessary acquisition financing. We may not be able to obtain such financing on favorable terms or at all and any additional debt we incur will increase our leverage and likelihood of default. Our access to third-party sources of capital depends, in part, on:

- general market conditions;
- the market's perception of our growth potential;
- our current debt levels;
- our current and expected future earnings;
- our cash flow and cash distributions; and
- the trading price of our common stock.

In recent years, the capital markets have been subject to periodic significant disruptions. Our inability to obtain capital when needed could have a material adverse effect on our ability to expand our business, implement our growth plan and fund other cash requirements. If we cannot obtain capital from third-party sources on favorable terms or at all when desired, we may not be able to acquire or develop properties when strategic opportunities exist, meet the capital and operating needs of our existing properties, satisfy our debt service obligations or make the cash distributions to our stockholders necessary to maintain our qualification as a REIT. To the extent that capital is not available to acquire properties, profits may not be realized or their realization may be delayed, which could result in an earnings stream that is less predictable than some of our competitors and result in us not meeting our projected earnings and distributable cash flow levels in a particular reporting period. Failure to meet our projected earnings and distributable cash flow levels in a particular reporting period could have an adverse effect on our financial condition and on the market price of our stock.

We face risks associated with security breaches through cyber attacks, cyber intrusions or otherwise, as well as other significant disruptions of our information technology ("IT") networks and related systems.

We face risks associated with security breaches, whether through cyber attacks or cyber intrusions over the Internet, malware, computer viruses, attachments to e-mails, persons inside our organization or persons with access to systems inside our organization, and other significant disruptions of our IT networks and related systems. The risk of a security breach or disruption, particularly through cyber attack or cyber intrusion, including by computer hackers, foreign governments and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. Our IT networks and related systems are essential to the operation of our business and our ability to perform day to day operations and, in some cases, may be critical to the operations of certain of our tenants. Although we make efforts to maintain the security and integrity of these types of IT networks and related systems, and we have implemented various measures to manage the risk of a security breach or disruption, there can be no assurance that our security efforts and measures will be effective or that attempted security breaches or disruptions would not be successful or damaging. Even the most well protected information, networks, systems and facilities remain potentially vulnerable because the techniques used in such attempted security breaches evolve and generally are not recognized until launched against a target, and in some cases, are designed to not be detected and, in fact, may not be detected. Accordingly, we may be unable to anticipate these techniques or to implement adequate security barriers or other preventative measures, and thus it is impossible for us to entirely mitigate this risk. A security breach or other significant disruption involving our IT networks and related systems could disrupt the proper functioning of our networks and systems; result in misstated financial reports, violations of loan covenants and/or missed reporting deadlines; result in our inability to properly monitor our compliance with the rules and regulations regarding our qualification as a REIT; result in the unauthorized access to, and destruction, loss,

theft, misappropriation or release of proprietary, confidential, sensitive or otherwise valuable information of ours or others, which others could use to compete against us or for disruptive, destructive or otherwise harmful purposes and outcomes; require significant management attention and resources to remedy any damages that result; subject us to claims for breach of contract, damages, credits, penalties or termination of leases or other agreements; or damage our reputation among our tenants and investors generally.

Risks Related to the Real Estate Industry

Our performance and value are subject to risks associated with real estate assets and the real estate industry. Our ability to pay expected dividends to our stockholders depends on our ability to generate revenues in excess of expenses, scheduled principal payments on debt and capital expenditure requirements. Events and conditions generally applicable to owners and operators of real property that are beyond our control may decrease cash available for distribution and the value of our properties. These events include many of the risks set forth above under “—Risks Related to Our Business and Operations,” as well as the following:

- local oversupply or reduction in demand for industrial space;
- adverse changes in financial conditions of buyers, sellers and tenants of properties;
- vacancies or our inability to rent space on favorable terms, including possible market pressures to offer tenants rent abatements, tenant improvements, early termination rights or below-market renewal options, and the need to periodically repair, renovate and re-lease space;
- increased operating costs, including insurance premiums, utilities, real estate taxes and state and local taxes;
- civil unrest, acts of war, terrorist attacks and natural disasters, including earthquakes, floods and wildfires, which may result in uninsured or underinsured losses;
- decreases in the market value of our properties;
- changing submarket demographics; and
- changing traffic patterns.

In addition, periods of economic downturn or recession, rising interest rates or declining demand for real estate, or the public perception that any of these events may occur, could result in a general decline in rents or an increased incidence of defaults under existing leases.

Illiquidity of real estate investments could significantly impede our ability to respond to adverse changes in the performance of our properties and harm our financial condition.

The real estate investments made, and to be made, by us are relatively difficult to sell quickly. As a result, our ability to promptly sell one or more properties in our portfolio in response to changing economic, financial and investment conditions is limited. Return of capital and realization of gains, if any, from an investment generally will occur upon disposition or refinancing of the underlying property. We may be unable to realize our investment objectives by sale, other disposition or refinancing at attractive prices within any given period of time or may otherwise be unable to complete any exit strategy. In particular, our ability to dispose of one or more properties within a specific time period is subject to certain limitations imposed by our Tax Matters Agreement, as well as weakness in or even the lack of an established market for a property, changes in the financial condition or prospects of prospective purchasers, changes in national or international economic conditions, and changes in laws, regulations or fiscal policies of jurisdictions in which the property is located.

In addition, the Code imposes restrictions on a REIT’s ability to dispose of properties that are not applicable to other types of real estate companies. In particular, the tax laws applicable to REITs effectively require that we hold our properties for investment, rather than primarily for sale in the ordinary course of business, which may cause us to forgo or defer sales of properties that otherwise would be in our best interest. Therefore, we may not be able to vary our portfolio in response to economic or other conditions promptly or on favorable terms.

Declining real estate valuations and impairment charges could materially adversely affect us.

We intend to review the carrying value of our properties when circumstances, such as adverse market conditions, indicate a potential impairment may exist. We intend to base our review on an estimate of the future cash flows (excluding interest charges) expected to result from the property’s use and eventual disposition on an undiscounted basis. We intend to consider factors such as future operating income, trends and prospects, as well as the effects of leasing demand, competition and other factors. If our evaluation indicates that we may be unable to recover the carrying value of a real estate investment, an impairment loss will be recorded to the extent that the carrying value exceeds the estimated fair value of the property.

Impairment losses have a direct impact on our operating results, because recording an impairment loss results in a negative adjustment to our publicly reported operating results. The evaluation of anticipated cash flows is highly subjective and is based in part on assumptions regarding future occupancy, rental rates and capital requirements that could differ materially from actual results in future periods. A worsening real estate market may cause us to reevaluate the assumptions used in our impairment analysis.

Adverse economic conditions and the dislocation in the credit markets could materially adversely affect us.

Economic conditions can be unpredictable and vary greatly, creating uncertainty and in some cases severely impacted the lending and capital markets, particularly for real estate. When occurring, these conditions may limit the amount of indebtedness we are able to obtain and our ability to refinance our indebtedness, and may impede our ability to develop new properties and to replace construction financing with permanent financing, which could result in our having to sell properties at inopportune times and on unfavorable terms.

Any lack of availability of debt financing may require us to rely more heavily on additional equity issuances, which may be dilutive to our current stockholders, or on less efficient forms of debt financing.

Acquired properties may be located in new markets where we may face risks associated with investing in an unfamiliar market.

We have acquired properties in markets that are new to us. For example, our predecessor business acquired properties in Arizona and Illinois as part of an acquisition of a portfolio of properties that included four other properties located in our target markets. When we acquire properties located in new markets, we may face risks associated with a lack of market knowledge or understanding of the local economy, forging new business relationships in the area and unfamiliarity with local government and permitting procedures.

We may choose not to distribute the proceeds of any sales of real estate to our stockholders, which may reduce the amount of our cash distributions to stockholders.

We may choose not to distribute any proceeds from the sale of real estate investments to our stockholders. Instead, we may elect to use such proceeds to:

- acquire additional real estate investments;
- repay debt;
- buy out interests of any partners in any joint venture in which we are a party;
- create working capital reserves; or
- make repairs, maintenance, tenant improvements or other capital improvements or expenditures on our other properties.

Any decision to retain or invest the proceeds of any sales, rather than distribute such proceeds to our stockholders may reduce the amount of cash distributions to equity holders.

If any of our insurance carriers becomes insolvent, we could be adversely affected.

We carry several different lines of insurance, placed with several large insurance carriers. If any one of these large insurance carriers were to become insolvent, we would be forced to replace the existing insurance coverage with another suitable carrier, and any outstanding claims would be at significant risk for collection. In such an event, we cannot be certain that we would be able to replace the coverage at similar or otherwise favorable terms. Replacing insurance coverage at unfavorable rates and the potential of uncollectible claims due to carrier insolvency would likely adversely affect us.

Our property taxes could increase due to property tax rate changes or reassessment, which could adversely impact our cash flows.

Even if we qualify as a REIT for federal income tax purposes, we will be required to pay some state and local taxes on our properties. The real property taxes on our properties may increase as property tax rates change or as our properties are assessed or reassessed by taxing authorities. All of our properties located in California may be reassessed as a result of various factors. Therefore, the amount of property taxes we pay in the future may increase substantially from what we have paid in the

past. If the property taxes we pay increase, our cash flow would be adversely impacted to the extent that we are not reimbursed by tenants for those taxes.

We could incur significant costs related to government regulation and litigation over environmental matters.

Under various federal, state and local laws and regulations relating to the environment, as a current or former owner or operator of real property, we may be liable for costs and damages resulting from the presence or discharge of hazardous or toxic substances, waste or petroleum products at, on, in, under or migrating to or from such property, including costs to investigate, clean up such contamination and liability for harm to natural resources. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence of such contamination, and the liability may be joint and several. These liabilities could be substantial and the cost of any required remediation, removal, fines or other costs could exceed the value of the property and in some cases our aggregate net asset value. In addition, the presence of contamination or the failure to remediate contamination at our properties may expose us to third-party liability for costs of remediation and/or personal, property, or natural resources damage or materially adversely affect our ability to sell, lease or develop our properties or to borrow using the properties as collateral. In addition, environmental laws may create liens on contaminated sites in favor of the government for damages and costs it incurs to address such contamination. Moreover, if contamination is discovered on our properties, environmental laws may impose restrictions on the manner in which property may be used or businesses may be operated, and these restrictions may require substantial expenditures.

Some of our properties have been or may be impacted by contamination arising from current or prior uses of the property, or adjacent properties, for commercial or industrial purposes. Such contamination may arise from spills of petroleum or hazardous substances or releases from tanks used to store such material known or suspected to exist at a number of our properties which may result in further investigation, remediation, or deed restrictions. Further, certain of our properties are adjacent to or near other properties that have contained or currently contain petroleum or other hazardous substances, or at which others have engaged or may engage in activities that may release such hazardous substances. Adjacent property uses are identified in standard ASTM procedures in Phase I environmental studies, which we obtain on all property acquisitions. In addition to a blanket environmental insurance policy, as needed, we may obtain environmental insurance policies on commercially reasonable terms that provide coverage for potential environmental liabilities, subject to the policy's coverage conditions and limitations. However, these policies are subject to certain limits, deductibles and exclusions, and insurance may not fully compensate us for any environmental liability. From time to time, we may acquire properties with known adverse environmental conditions where we believe that the environmental liabilities associated with these conditions are quantifiable and that the acquisition will yield a superior risk-adjusted return. We usually perform a Phase I environmental site assessment at any property we are considering acquiring. In connection with certain financing transactions our lenders have commissioned independent environmental consultants to conduct Phase I environmental site assessments on certain of the properties in our initial portfolio. However, we have not always received copies of the Phase I environmental site assessment reports commissioned by our lenders and, as such, may not be aware of all potential or existing environmental contamination liabilities at the properties in our initial portfolio. In addition, Phase I environmental site assessments are limited in scope and do not involve sampling of soil, soil vapor, or groundwater, and these assessments may not include or identify all potential environmental liabilities or risks associated with the property. Even where subsurface investigation is performed, it can be very difficult to ascertain the full extent of environmental contamination or the costs that are likely to flow from such contamination. We cannot assure you that the Phase I environmental site assessment or other environmental studies identified all potential environmental liabilities, or that we will not face significant remediation costs or other environmental contamination that makes it difficult to sell any affected properties. Also, we have not always implemented actions recommended by these assessments, and recommended investigation and remediation of known or suspected contamination has not always been performed. Contamination may exist at many of our properties, and governmental regulators or third parties could seek to force us to contribute to investigation or remediation of known or suspected contamination. As a result, we could potentially incur material liability for these issues.

Environmental laws also govern the presence, maintenance and removal of asbestos-containing building materials, or ACBM, and may impose fines and penalties for failure to comply with these requirements. Such laws require that

owners or operators of buildings containing ACBM (and employers in such buildings) properly manage and maintain the asbestos, adequately notify or train those who may come into contact with asbestos, and undertake special precautions, including removal or other abatement, if asbestos would be disturbed during renovation or demolition of a building. In addition, the presence of ACBM in our properties may expose us to third-party liability (e.g., liability for personal injury associated with exposure to asbestos).

In addition, the properties in our portfolio also are subject to various federal, state and local environmental and health and safety requirements, such as state and local fire requirements. Moreover, some of our tenants routinely handle and use hazardous or regulated substances and wastes as part of their operations at our properties, which are subject to regulation. Such

environmental and health and safety laws and regulations could subject us or our tenants to liability resulting from these activities. Environmental liabilities could affect a tenant's ability to make rental payments to us. In addition, changes in laws could increase the potential liability for noncompliance. This may result in significant unanticipated expenditures or may otherwise materially and adversely affect our operations, or those of our tenants, which could in turn have an adverse effect on us. Further, these environmental, health, and safety laws could become more stringent in the future, and this could subject us or our tenants to new or greater liability.

We cannot assure you that remedial measures and other costs or liabilities incurred as a result of environmental issues will be immaterial to our overall financial position. If we do incur material environmental liabilities in the future, we may face significant remediation costs, and we may find it difficult to sell any affected properties.

Our properties may contain or develop harmful mold or suffer from other air quality issues, which could lead to liability for adverse health effects and costs of remediation.

When excessive moisture accumulates in buildings or on building materials, mold growth may occur, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Indoor air quality issues can also stem from inadequate ventilation, chemical contamination from indoor or outdoor sources, and other biological contaminants such as pollen, viruses and bacteria. Indoor exposure to airborne toxins or irritants above certain levels can be alleged to cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, the presence of significant mold or other airborne contaminants at any of our properties could require us to undertake a costly remediation program to contain or remove the mold or other airborne contaminants from the affected property or increase indoor ventilation. In addition, the presence of significant mold or other airborne contaminants could expose us to liability from our tenants, employees of our tenants or others if property damage or personal injury is alleged to have occurred.

We may incur significant costs complying with various federal, state and local laws, regulations and covenants that are applicable to our properties.

The properties in our portfolio are subject to various covenants and federal, state and local laws and regulatory requirements, including permitting and licensing requirements. Local regulations, including municipal or local ordinances and zoning restrictions may restrict our use of our properties and may require us to obtain approval from local officials or restrict our use of our properties and may require us to obtain approval from local officials of community standards organizations at any time with respect to our properties, including prior to acquiring a property or when undertaking renovations of any of our existing properties. Among other things, these restrictions may relate to fire and safety, seismic or hazardous material abatement requirements. There can be no assurance that existing laws and regulatory policies will not adversely affect us or the timing or cost of any future acquisitions or renovations, or that additional regulations will not be adopted that increase such delays or result in additional costs. Our growth strategy may be affected by our ability to obtain permits, licenses and zoning relief.

In addition, federal and state laws and regulations, including laws such as the Americans with Disabilities Act, or ADA, and the Fair Housing Amendment Act of 1988, or FHAA, impose further restrictions on our properties and operations. Under the ADA and the FHAA, all public accommodations must meet federal requirements related to access and use by disabled persons. Some of our properties may currently be in non-compliance with the ADA or the FHAA. If one or more of the properties in our portfolio is not in compliance with the ADA, the FHAA or any other regulatory requirements, we may be required to incur additional costs to bring the property into compliance, including the removal of access barriers, and we might incur governmental fines or the award of damages to private litigants. In addition, we do not know whether existing requirements will change or whether future requirements will require us to make significant unanticipated expenditures.

Changes in the method of determining the London Interbank Offered Rate ("LIBOR") may adversely affect interest expense related to outstanding debt.

We hold certain debt instruments on which interest rates move in direct relation to LIBOR, depending on our selection of borrowing options. Beginning in 2008, concerns have been raised that some of the member banks surveyed by the British Bankers' Association (the "BBA") in connection with the calculation of daily LIBOR across a range of maturities and currencies may have underreported, over reported, or otherwise manipulated the interbank lending rate applicable to them in order to profit on their derivatives positions or to avoid an appearance of capital insufficiency or adverse

reputational or other consequences that might have resulted from reporting interbank lending rates higher than those they actually submitted. A number of BBA member banks have entered into settlements with a number of their regulators and law enforcement agencies with respect to alleged manipulation of LIBOR, and investigations have been instigated by regulators and government authorities in various jurisdictions. Other member banks may also enter into such settlements with, or have proceedings brought by, their regulators or law

enforcement agencies in the future. If manipulation of LIBOR occurred, it may have resulted in LIBOR having been artificially lower (or higher) than it would otherwise have been. Any such manipulation could have occurred over a substantial period of time.

On September 28, 2012, British regulators published a report on the review of LIBOR. The report concluded that LIBOR should be retained as a benchmark, but recommended a comprehensive reform of LIBOR, including replacing the BBA with a new independent administrator of LIBOR. Based on this report, final rules for the regulation and supervision of LIBOR by the Financial Conduct Authority (the "FCA") were published and came into effect on April 2, 2013 (the "FCA Rules"). In particular, the FCA Rules include requirements that (1) an independent LIBOR administrator monitor and survey LIBOR submissions to identify breaches of practice standards and/or potentially manipulative behavior, and (2) firms submitting data to LIBOR establish and maintain a clear conflicts-of-interest policy and appropriate systems and controls. In 2014, NYSE Euronext took over the administration of LIBOR. It is not possible to predict the effect of the FCA Rules, any changes in the methods pursuant to which LIBOR is determined, the administration of LIBOR by NYSE Euronext, and any other reforms to LIBOR that will be enacted in the United Kingdom and elsewhere. In addition, any changes announced by the FCA, the BBA, or any other successor governance or oversight body, or future changes adopted by such body, in the method pursuant to which LIBOR is determined, as well as manipulative practices or the cessation thereof, may result in a sudden or prolonged increase or decrease in reported LIBOR, which could have an adverse impact on the level of the index. Fluctuation or discontinuation of LIBOR would affect our interest expense and earnings and the fair value of certain of our financial instruments. We rely on interest rate swaps to help mitigate our exposure to such interest rate risk, on a portion of our debt obligations. However, there is no assurance these arrangements will be effective in reducing our exposure to changes in interest rates.

Risks Related to Our Organizational Structure

Conflicts of interest may exist or could arise in the future between the interests of our stockholders and the interests of holders of common units, which may impede business decisions that could benefit our stockholders.

Conflicts of interest may exist or could arise in the future as a result of the relationships between us and our affiliates, on the one hand, and our operating partnership or any partner thereof, on the other. Our directors and officers have duties to our company under Maryland law in connection with their management of our company. At the same time, we, as the general partner of our operating partnership, have fiduciary duties and obligations to our operating partnership and its limited partners under Maryland law and the partnership agreement of our operating partnership in connection with the management of our operating partnership. Our fiduciary duties and obligations as the general partner of our operating partnership may come into conflict with the duties of our directors and officers to our company.

Under Maryland law, a general partner of a Maryland limited partnership has fiduciary duties of loyalty and care to the partnership and its partners and must discharge its duties and exercise its rights as general partner under the partnership agreement or Maryland law consistent with the obligation of good faith and fair dealing. The partnership agreement provides that, in the event of a conflict between the interests of our operating partnership or any partner, on the one hand, and the separate interests of our company or our stockholders, on the other hand, we, in our capacity as the general partner of our operating partnership, may give priority to the separate interests of our company or our stockholders (including with respect to tax consequences to limited partners, assignees or our stockholders), and, in the event of such a conflict, any action or failure to act on our part or on the part of our directors that gives priority to the separate interests of our company or our stockholders that does not result in a violation of the contract rights of the limited partners of our operating partnership under its partnership agreement does not violate the duty of loyalty or any other duty that we, in our capacity as the general partner of our operating partnership, owe to our operating partnership and its partners or violate the obligation of good faith and fair dealing.

Additionally, the partnership agreement provides that we generally will not be liable to our operating partnership or any partner for any action or omission taken in our capacity as general partner, for the debts or liabilities of our operating partnership or for the obligations of the operating partnership under the partnership agreement, except for liability for our fraud, willful misconduct or gross negligence, pursuant to any express indemnity we may give to our operating partnership or in connection with a redemption. Our operating partnership must indemnify us, our directors

and officers, officers of our operating partnership and our designees from and against any and all claims that relate to the operations of our operating partnership, unless (1) an act or omission of the person was material to the matter giving rise to the action and either was committed in bad faith or was the result of active and deliberate dishonesty, (2) the person actually received an improper personal benefit in violation or breach of the partnership agreement or (3) in the case of a criminal proceeding, the indemnified person had reasonable cause to believe that the act or omission was unlawful. Our operating partnership must also pay or reimburse the reasonable expenses of any such person in advance of a final disposition of the proceeding upon its receipt of a written affirmation of the person's good faith belief that the standard of conduct necessary for indemnification has been met and a written undertaking to repay any amounts paid or advanced if it is ultimately determined that the person did not meet the standard of conduct for indemnification. Our operating

partnership is not required to indemnify or advance funds to any person with respect to any action initiated by the person seeking indemnification without our approval (except for any proceeding brought to enforce such person's right to indemnification under the partnership agreement) or if the person is found to be liable to our operating partnership on any portion of any claim in the action. No reported decision of a Maryland appellate court has interpreted provisions similar to the provisions of the partnership agreement of our operating partnership that modify and reduce our fiduciary duties or obligations as the general partner or reduce or eliminate our liability to our operating partnership and its partners, and we have not obtained an opinion of counsel as to the enforceability of the provisions set forth in the partnership agreement that purport to modify or reduce the fiduciary duties and obligations that would be in effect were it not for the partnership agreement.

Some of our directors and executive officers have outside business interests, including interests in real estate-related businesses, and, therefore, may have conflicts of interest with us.

Certain of our executive officers and directors have outside business interests, including interests in real estate-related businesses, and may own equity securities of public and private real estate companies. Our executive officers' and directors' interests in these entities could create a conflict of interest, especially when making determinations regarding our renewal of leases with tenants subject to these leases. Our executive officers' involvement in other businesses and real estate-related activities could divert their attention from our day-to-day operations, and state law may limit our ability to enforce any non-compete agreements.

We could increase the number of authorized shares of stock, classify and reclassify unissued stock and issue stock without stockholder approval.

Our board of directors, without stockholder approval, has the power under our charter to amend our charter to increase the aggregate number of shares of stock or the number of shares of stock of any class or series that we are authorized to issue, to authorize us to issue authorized but unissued shares of our common stock or preferred stock and to classify or reclassify any unissued shares of our common stock or preferred stock into one or more classes or series of stock and set the terms of such newly classified or reclassified shares. As a result, we may issue classes or series of common stock or preferred stock with preferences, powers and rights, voting or otherwise, that are senior to, or otherwise conflict with, the rights of holders of our common stock. Although our board of directors has no such intention at the present time, it could establish a class or series of preferred stock that could, depending on the terms of such series, delay, defer or prevent a transaction or a change of control that might involve a premium price for our common stock or that our stockholders otherwise believe to be in their best interest.

Certain provisions of Maryland law could inhibit changes in control, which may discourage third parties from conducting a tender offer or seeking other change of control transactions that could involve a premium price for our common stock or that our stockholders otherwise believe to be in their best interest.

Certain provisions of the Maryland General Corporation Law ("MGCL"), may have the effect of inhibiting a third party from making a proposal to acquire us or of impeding a change of control under circumstances that otherwise could provide the holders of shares of our common stock with the opportunity to realize a premium over the then-prevailing market price of such shares, including:

"Business combination" provisions that, subject to certain exceptions, prohibit certain business combinations between us and an "interested stockholder" (defined generally as any person who beneficially owns 10% or more of the voting power of our shares or an affiliate thereof or an affiliate or associate of ours who was the beneficial owner, directly or indirectly, of 10% or more of the voting power of our then outstanding voting stock at any time within the two-year period immediately prior to the date in question) for five years after the most recent date on which the stockholder becomes an interested stockholder, and thereafter impose fair price or supermajority stockholder voting requirements on these combinations; and

"Control share" provisions that provide that holders of "control shares" of our company (defined as shares that, when aggregated with other shares controlled by the stockholder, entitle the stockholder to exercise voting power in the election of directors within one of three increasing ranges) acquired in a "control share acquisition" (defined as the direct or indirect acquisition of ownership or control of the voting power of issued and outstanding "control shares," subject to certain exceptions) have no voting rights with respect to their control shares, except to the extent approved by our stockholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter,

excluding all interested shares.

As permitted by the MGCL, our bylaws provide that we will not be subject to the control share provisions of the MGCL and our board of directors has, by resolution, exempted us from the business combination between us and any other person. However, we cannot assure you that our board of directors will not revise the bylaws or such resolution in order to be subject to

25

such business combination and control share provisions in the future. Notwithstanding the foregoing, an alteration or repeal of the board resolution exempting such business combinations will not have any effect on any business combinations that have been consummated or upon any agreements existing at the time of such modification or repeal. Certain provisions of the MGCL permit the board of directors of a Maryland corporation with at least three independent directors and a class of stock registered under the Exchange Act without stockholder approval and regardless of what is currently provided in its charter or bylaws, to implement certain corporate governance provisions, some of which (for example, a classified board) are not currently applicable to us. These provisions may have the effect of limiting or precluding a third party from making an unsolicited acquisition proposal for our company or of delaying, deferring or preventing a change in control under circumstances that otherwise could provide the holders of shares of our stock with the opportunity to realize a premium over the then current market price. Our charter contains a provision whereby it elects to be subject to the provisions of Title 3, Subtitle 8 of the MGCL relating to the filling of vacancies on the board of directors.

Certain provisions in the partnership agreement of our operating partnership may delay or prevent unsolicited acquisition of us.

Provisions of the partnership agreement of our operating partnership may delay or make more difficult unsolicited acquisitions of us or changes of our control. These provisions could discourage third parties from making proposals involving an unsolicited acquisition of us or change of our control, although some stockholders or limited partners might consider such proposals, if made, desirable. These provisions include, among others:

- redemption rights of qualifying parties;

- a requirement that we may not be removed as the general partner of our operating partnership without our consent;

- transfer restrictions on common units;

- our ability, as general partner, in some cases, to amend the partnership agreement and to cause our operating partnership to issue additional partnership interests with terms that could delay, defer or prevent a merger or other change of control of us or our operating partnership without the consent of our stockholders or the limited partners; and

- the right of the limited partners to consent to certain transfers of our general partnership interest (whether by sale, disposition, statutory merger or consolidation, liquidation or otherwise).

Our charter and bylaws, the partnership agreement of our operating partnership and Maryland law also contain other provisions that may delay, defer or prevent a transaction or a change of control that might involve a premium price for our common stock or that our stockholders otherwise believe to be in their best interest.

The Tax Matters Agreement limits our ability to sell or otherwise dispose of certain properties, even though a sale or disposition may otherwise be in our stockholders' best interest.

In connection with the formation transactions, we entered into a Tax Matters Agreement with certain limited partners of our operating partnership, including Messrs. Ziman, Schwimmer and Frankel, that provides that if we dispose of any interest with respect to certain properties in our initial portfolio in a taxable transaction during the period from the completion of the IPO (July 24, 2013) through the seventh anniversary of such completion (July 24, 2020), our operating partnership will indemnify such limited partners for their tax liabilities attributable to their share of the built-in gain that exists with respect to such property interest as of the time of the IPO and tax liabilities incurred as a result of the indemnification payment; provided that, subject to certain exceptions and limitations, such indemnification rights will terminate for any such protected partner that sells, exchanges or otherwise disposes of more than 50% of his or her common units. We have no present intention to sell or otherwise dispose of these properties or interest therein in taxable transactions during the restriction period. If we were to trigger the tax protection provisions under this agreement, our operating partnership would be required to pay damages in the amount of the taxes owed by these limited partners (plus additional damages in the amount of the taxes incurred as a result of such payment). As a result, although it may otherwise be in our stockholders' best interest that we sell one of these properties, it may be economically prohibitive for us to do so because of these obligations.

The Tax Matters Agreement may require our operating partnership to maintain certain debt levels that otherwise would not be required to operate our business.

The Tax Matters Agreement provides that, during the period beginning from the date of the completion of our IPO (July 24, 2013) through the period ending on the twelfth anniversary of our IPO (July 24, 2025), our operating partnership will offer certain limited partners the opportunity to guarantee its debt, and following such period, our operating partnership will use

commercially reasonable efforts to provide such limited partners who continue to own at least 50% of the common units they originally received in the formation transactions with debt guarantee opportunities. Our operating partnership will be required to indemnify such limited partners for their tax liabilities resulting from our failure to make such opportunities available to them (plus an additional amount equal to the taxes incurred as a result of such indemnity payment). Among other things, this opportunity to guarantee debt is intended to allow the participating limited partners to defer the recognition of gain in connection with the formation transactions. These obligations may require us to maintain more or different indebtedness than we would otherwise require for our business.

Our board of directors may change our investment and financing policies without stockholder approval and we may become more highly leveraged, which may increase our risk of default under our debt obligations.

Our investment and financing policies are exclusively determined by our board of directors. Accordingly, our stockholders do not control these policies. Further, our charter and bylaws do not limit the amount or percentage of indebtedness, funded or otherwise, that we may incur. Our board of directors may alter or eliminate our current policy on borrowing at any time without stockholder approval. If this policy changed, we could become more highly leveraged which could result in an increase in our debt service. Higher leverage also increases the risk of default on our obligations. In addition, a change in our investment policies, including the manner in which we allocate our resources across our portfolio or the types of assets in which we seek to invest, may increase our exposure to interest rate risk, real estate market fluctuations and liquidity risk.

Our rights and the rights of our stockholders to take action against our directors and officers are limited.

As permitted by Maryland law, our charter eliminates the liability of our directors and officers to us and our stockholders for money damages, except for liability resulting from:

- actual receipt of an improper benefit or profit in money, property or services; or
- active and deliberate dishonesty by the director or officer that was established by a final judgment and was material to the cause of action adjudicated.

In addition, our charter authorizes us to obligate our company, and our bylaws require us, to indemnify our directors and officers for actions taken by them in those and certain other capacities to the maximum extent permitted by Maryland law in effect from time to time. Generally, Maryland law permits a Maryland corporation to indemnify its present and former directors and officers except in instances where the person seeking indemnification acted in bad faith or with active and deliberate dishonesty, actually received an improper personal benefit in money, property or services or, in the case of a criminal proceeding, had reasonable cause to believe that his or her actions were unlawful. Under Maryland law, a Maryland corporation also may not indemnify a director or officer in a suit by or on behalf of the corporation in which the director or officer was adjudged liable to the corporation or for a judgment of liability on the basis that a personal benefit was improperly received. A court may order indemnification if it determines that the director or officer is fairly and reasonably entitled to indemnification, even though the director or officer did not meet the prescribed standard of conduct; however, indemnification for an adverse judgment in a suit by us or on our behalf, or for a judgment of liability on the basis that personal benefit was improperly received, is limited to expenses. As a result, we and our stockholders may have more limited rights against our directors and officers than might otherwise exist. Accordingly, in the event that actions taken in good faith by any of our directors or officers impede the performance of our company, our stockholders' ability to recover damages from such director or officer will be limited.

We are a holding company with no direct operations and, as such, we will rely on funds received from our operating partnership to pay liabilities, and the interests of our stockholders will be structurally subordinated to all liabilities and obligations of our operating partnership and its subsidiaries.

We are a holding company and conduct substantially all of our operations through our operating partnership. We do not have, apart from an interest in our operating partnership, any independent operations. As a result, we rely on distributions from our operating partnership to continue to pay any dividends we might declare on shares of our common stock. We also rely on distributions from our operating partnership to meet any of our obligations, including any tax liability on taxable income allocated to us from our operating partnership. In addition, because we are a holding company, stockholder claims will be structurally subordinated to all existing and future liabilities and obligations (whether or not for borrowed money) of our operating partnership and its subsidiaries. Therefore, in the

event of our bankruptcy, liquidation or reorganization, our assets and those of our operating partnership and its subsidiaries will be available to satisfy the claims of our stockholders only after all of our and our operating partnership's and its subsidiaries' liabilities and obligations have been paid in full.

Our operating partnership may issue additional common units to third parties without the consent of our stockholders, which would reduce our ownership percentage in our operating partnership and would have a dilutive effect on the amount of distributions made to us by our operating partnership and, therefore, the amount of distributions we can make to our stockholders.

As of December 31, 2016, we own 97.1% of the outstanding common units in our Operating Partnership and we may, in connection with future acquisitions of properties or otherwise, cause our operating partnership to issue additional common units to third parties. Such issuances would reduce our ownership percentage in our operating partnership and affect the amount of distributions made to us by our operating partnership and, therefore, the amount of distributions we can make to our stockholders.

Risks Related to Our Status as a REIT

Failure to maintain our qualification as a REIT would have significant adverse consequences to us and the per share trading price of our common stock.

We have elected to be taxed as a REIT for federal income tax purposes commencing with our initial taxable year ended December 31, 2013. We intend to continue to meet the requirements for taxation as a REIT. We have not requested and do not plan to request a ruling from the IRS that we qualify as a REIT, and the statements in this Form 10-K are not binding on the IRS or any court. Therefore, we cannot guarantee that we will qualify as a REIT, or that we will remain qualified as such in the future. If we were to fail to qualify as a REIT in any taxable year we will face serious tax consequences that would substantially reduce the funds available for distribution to you for each of the years involved because:

- we would not be allowed a deduction for distributions to stockholders in computing our taxable income and would be subject to federal income tax at regular corporate rates;
- we also could be subject to the federal alternative minimum tax and possibly increased state and local taxes; and
- unless we are entitled to relief under applicable statutory provisions, we could not elect to be taxed as a REIT for four taxable years following the year during which we were disqualified.

Any such corporate tax liability could be substantial and would reduce our cash available for, among other things, our operations and distributions to stockholders. In addition, if we fail to qualify as a REIT, we will not be required to make distributions to our stockholders. As a result of all these factors, our failure to qualify as a REIT also could impair our ability to expand our business and raise capital.

Qualification as a REIT involves the application of highly technical and complex Code provisions for which there are only limited judicial and administrative interpretations. The complexity of these provisions and of the applicable Treasury regulations that have been promulgated under the Code, or the Treasury Regulations, is greater in the case of a REIT that, like us, holds its assets through a partnership. The determination of various factual matters and circumstances not entirely within our control may affect our ability to qualify as a REIT. In order to qualify as a REIT, we must satisfy a number of requirements, including requirements regarding the ownership of our stock, requirements regarding the composition of our assets and a requirement that at least 95% of our gross income in any year must be derived from qualifying sources, such as “rents from real property.” Also, we must make distributions to stockholders aggregating annually at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding net capital gains. In addition, legislation, new regulations, administrative interpretations or court decisions may materially adversely affect our investors, our ability to qualify as a REIT for federal income tax purposes or the desirability of an investment in a REIT relative to other investments.

Even if we qualify as a REIT for federal income tax purposes, we may be subject to some federal, state and local income, property and excise taxes on our income or property and, in certain cases, a 100% penalty tax, in the event we sell property as a dealer. In addition, our taxable REIT subsidiary will be subject to tax as a regular corporation in the jurisdictions it operates.

If our operating partnership failed to qualify as a partnership for federal income tax purposes, we would cease to qualify as a REIT and suffer other adverse consequences.

We believe that our operating partnership will be treated as a partnership for federal income tax purposes. As a partnership, our operating partnership will not be subject to federal income tax on its income. Instead, each of its partners, including us, will be allocated, and may be required to pay tax with respect to, its share of our operating

partnership's income. We cannot assure you, however, that the IRS will not challenge the status of our operating partnership or any other subsidiary partnership in which we own an interest as a partnership for federal income tax purposes, or that a court would not sustain such a challenge. If the IRS were successful in treating our operating partnership or any such other subsidiary partnership as an entity taxable as a corporation for federal income tax purposes, we would fail to meet the gross income tests and certain of the asset tests applicable to REITs and, accordingly, we would likely cease to qualify as a REIT. Also, the failure of our operating partnership or

any subsidiary partnerships to qualify as a partnership could cause it to become subject to federal and state corporate income tax, which would reduce significantly the amount of cash available for debt service and for distribution to its partners, including us.

Our taxable REIT subsidiaries will be subject to federal income tax, and we will be required to pay a 100% penalty tax on certain income or deductions if our transactions with our taxable REIT subsidiaries are not conducted on arm's length terms.

We own an interest in one or more taxable REIT subsidiaries, and may acquire securities in additional taxable REIT subsidiaries in the future. A taxable REIT subsidiary is a corporation other than a REIT in which a REIT directly or indirectly holds stock, and that has made a joint election with such REIT to be treated as a taxable REIT subsidiary. If a taxable REIT subsidiary owns more than 35% of the total voting power or value of the outstanding securities of another corporation, such other corporation will also be treated as a taxable REIT subsidiary. Other than some activities relating to lodging and health care facilities, a taxable REIT subsidiary may generally engage in any business, including the provision of customary or non-customary services to tenants of its parent REIT. A taxable REIT subsidiary is subject to federal income tax as a regular C corporation. In addition, a 100% excise tax will be imposed on certain transactions between a taxable REIT subsidiary and its parent REIT that are not conducted on an arm's length basis.

To maintain our REIT qualification, we may be forced to borrow funds during unfavorable market conditions.

To qualify as a REIT, we generally must distribute to our stockholders at least 90% of our REIT taxable income each year, determined without regard to the dividends paid deduction and excluding net capital gains, and we will be subject to regular corporate income taxes to the extent that we distribute less than 100% of our REIT taxable income (determined without regard to the deduction for dividends paid) each year. In addition, we will be subject to a 4% nondeductible excise tax on the amount, if any, by which distributions paid by us in any calendar year are less than the sum of 85% of our ordinary income, 95% of our capital gain net income and 100% of our undistributed income from prior years. Accordingly, we may not be able to retain sufficient cash flow from operations to meet our debt service requirements and repay our debt. Therefore, we may need to raise additional capital for these purposes, and we cannot assure you that a sufficient amount of capital will be available to us on favorable terms, or at all, when needed.

Further, in order to maintain our REIT qualification and avoid the payment of income and excise taxes, we may need to borrow funds to meet the REIT distribution requirements even if the then prevailing market conditions are not favorable for these borrowings. These borrowing needs could result from, among other things, differences in timing between the actual receipt of cash and inclusion of income for federal income tax purposes, or the effect of non-deductible capital expenditures, the creation of reserves or required debt or amortization payments. These sources, however, may not be available on favorable terms or at all. Our access to third-party sources of capital depends on a number of factors, including the market's perception of our growth potential, our current debt levels, the per share trading price of our common stock, and our current and potential future earnings. We cannot assure you that we will have access to such capital on favorable terms at the desired times, or at all, which may cause us to curtail our investment activities and/or to dispose of assets at inopportune times.

Dividends payable by REITs do not qualify for the reduced tax rates available for some dividends.

The maximum tax rate applicable to "qualified dividend income" payable to U.S. stockholders that are individuals, trusts and estates is 20%. Dividends payable by REITs, however, generally are not eligible for the reduced rates. Although these rules do not adversely affect the taxation of REITs or dividends payable by REITs, investors who are individuals, trusts and estates may perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the shares of REITs.

The tax imposed on REITs engaging in "prohibited transactions" may limit our ability to engage in transactions which would be treated as sales for federal income tax purposes.

A REIT's net income from prohibited transactions is subject to a 100% penalty tax. In general, prohibited transactions are sales or other dispositions of property, other than foreclosure property, held primarily for sale to customers in the ordinary course of business. Although we do not intend to hold any properties that would be characterized as held for sale to customers in the ordinary course of our business, unless a sale or disposition qualifies under certain statutory

safe harbors, such characterization is a factual determination and no guarantee can be given that the IRS would agree with our characterization of our properties or that we will always be able to make use of the available safe harbors.

Complying with REIT requirements may affect our profitability and may force us to liquidate or forgo otherwise attractive investments.

To qualify as a REIT, we must continually satisfy tests concerning, among other things, the nature and diversification of our assets, the sources of our income and the amounts we distribute to our stockholders. We may be required to liquidate or forgo otherwise attractive investments in order to satisfy the asset and income tests or to qualify under certain statutory relief provisions. We also may be required to make distributions to stockholders at disadvantageous times or when we do not have funds readily available for distribution. As a result, having to comply with the distribution requirement could cause us to: (1) sell assets in adverse market conditions; (2) borrow on unfavorable terms; or (3) distribute amounts that would otherwise be invested in future acquisitions, capital expenditures or repayment of debt. Accordingly, satisfying the REIT requirements could have an adverse effect on our business results, profitability and ability to execute our business plan. Moreover, if we are compelled to liquidate our investments to meet any of these asset, income or distribution tests, or to repay obligations to our lenders, we may be unable to comply with one or more of the requirements applicable to REITs or may be subject to a 100% tax on any resulting gain if such sales constitute prohibited transactions.

Legislative or other actions affecting REITs could have a negative effect on us.

The rules dealing with federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Department of the Treasury. Changes to the tax laws, with or without retroactive application, could adversely affect our investors or us. We cannot predict how changes in the tax laws might affect our investors or us. New legislation, Treasury Regulations, administrative interpretations or court decisions could significantly and negatively affect our ability to qualify as a REIT or the federal income tax consequences of such qualification, or the federal income tax consequences of an investment in us. Also, the law relating to the tax treatment of other entities, or an investment in other entities, could change, making an investment in such other entities more attractive relative to an investment in a REIT.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

As of December 31, 2016, our consolidated portfolio consists of 136 wholly-owned properties located in Southern California infill markets totaling approximately 15.0 million rentable square feet.

The table below sets forth relevant information with respect to the operating properties in our consolidated portfolio as of December 31, 2016.

Property Address	City	Number of Buildings	Asset Type	Year Built / Renovated ⁽¹⁾	Rentable Square Feet	Percentage of Rentable Square Feet ⁽²⁾	Number of Occupants	Annualized Base Rent ⁽³⁾	Percentage of Total Annualized Base Rent ⁽⁴⁾	Total Annualized Base Rent per Square Foot ⁽⁵⁾	
Los Angeles - Greater San Fernando Valley											
901 W. Alameda Ave.	Burbank	1	Creative Office	1969 / 2009	44,924	0.3%	3	100.0%	\$1,467,569	1.2%	\$32.67
10635 Vanowen St.	Burbank	1	Warehouse / Light Manufacturing	1977	31,037	0.2%	4	100.0%	309,626	0.3%	9.98
	Burbank	2		1950 / 2004	130,800	0.9%	1	100.0%	1,161,504	1.0%	8.88

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2980 & 2990 N San Fernando Road		Warehouse / Light Manufacturing								
9401 De Soto Ave. (6)	Chatsworth 1	Warehouse / Light Manufacturing	1983	150,831	1.0%	—	—	%	—	— %
9120 Mason Ave. 21040 Nordoff Street; 9035 Independence Avenue; 21019 - 21045 Osborne Street	Chatsworth 1	Warehouse / Distribution	1967 / 1999	319,348	2.1%	1	100.0%	1,900,180	1.6%	5.95
	Chatsworth 7	Warehouse / Distribution	1979 / 1980	153,236	1.0%	10	100.0%	1,207,325	1.0%	7.88

30

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Property Address	City	Number of Buildings	Asset Type	Year Built / Renovated ⁽¹⁾	Rentable Square Feet	Percentage of Rentable Square Feet ⁽²⁾	Number of Leases	Percentage of Occupancy	Annualized Base Rent ⁽³⁾	Percentage of Total Annualized Base Rent ⁽⁴⁾	Total Annualized Base Rent per Square Foot ⁽⁵⁾
700 Allen Ave., 1830 Flower	Glendale	3	Creative Office	1949, 1961 / 2011-2012	25,168	0.2 %	1	100.0 %	750,048	0.48 %	30.16
3550 Tyburn St., 3332, 3334, 3360, 3368, 3370, 3378, 3380, 3410, 3424 N. San Fernando Rd.	Los Angeles	8	Warehouse / Distribution	1966, 1992, 1993, 1994	474,954	3.2 %	26	92.4 %	4,539,168	3.16 %	10.44
3116 W. Avenue 32	Los Angeles	1	Warehouse / Distribution	1974	100,500	0.7 %	1	85.7 %	710,544	0.54 %	8.32
7900 Nelson Rd.	Los Angeles	1	Warehouse / Distribution	1998 / 2015	202,905	1.4 %	2	100.0 %	1,743,608	1.60 %	8.59
121-125 N. Vinedo Ave.	Pasadena	1	Warehouse / Light Manufacturing	1953 / 1993	48,381	0.3 %	1	100.0 %	578,667	0.56 %	11.96
89-91 N. San Gabriel Blvd., 2670-2674 Walnut Ave., 2675 Nina St.	Pasadena	5	Light Manufacturing / Flex	1947, 1985 / 2009	31,619	0.2 %	4	100.0 %	640,322	0.32 %	20.47
1050 Arroyo Ave.	San Fernando	1	Warehouse / Light Manufacturing	1969 / 2012	76,993	0.5 %	1	100.0 %	590,306	0.50 %	7.68
605 8th Street	San Fernando	1	Warehouse / Distribution	1991 / 2015	55,715	0.4 %	1	100.0 %	450,434	0.43 %	8.16
24935 & 24955 Avenue Kearny	Santa Clarita	2	Warehouse / Distribution	1988	138,980	0.9 %	2	100.0 %	1,009,092	0.92 %	7.26
15140 & 15148 Bledsoe St., 13065 - 13081 Bradley Ave.	Sylmar	2	Warehouse / Light Manufacturing	1969, 2008 / 2006 / 2016	134,030	0.9 %	9	100.0 %	1,109,482	1.02 %	8.37
18310-18330 Oxnard St.	Tarzana	2	Warehouse / Light Manufacturing	1973	75,288	0.5 %	24	94.9 %	900,588	0.88 %	12.69

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28340 - 28400 Avenue Crocker 28159	Valencia	1	Warehouse / Light Manufacturing	1987 / 2006	90,722	0.6	% 2	100.0	% 660,671	% 7.29
Avenue Stanford	Valencia	1	Light Industrial / Office	1987 / 2008	78,910	0.5	% 11	83.9	% 960,621	% 14.53
15041 Calvert St.	Van Nuys	1	Warehouse / Light Manufacturing	1971	81,282	0.5	% 1	100.0	% 504,908	% 6.21
14723-14825 Oxnard St.	Van Nuys	6	Warehouse / Light Manufacturing	1964 / 1968	77,790	0.5	% 65	100.0	% 970,814	% 12.56
8101-8117 Orion Ave.	Van Nuys	1	Warehouse / Light Manufacturing	1978	48,394	0.3	% 23	95.6	% 645,718	% 13.96
6701 & 6711 Odessa Ave.	Van Nuys	2	Warehouse / Light Manufacturing	1970-1972 / 2012	29,544	0.2	% 2	100.0	% 260,962	% 8.83
28454 Livingston Avenue	Valencia	1	Warehouse / Light Manufacturing	2007	134,287	0.9	% 1	100.0	% 978,303	% 7.29
525 Park Avenue	San Fernando	1	Warehouse / Distribution	2003	63,403	0.4	% 2	100.0	% 484,369	% 7.64
Los Angeles - Greater San Fernando Valley Total		54			2,799,041	18.6	% 198	92.1	% 24,707,629	9.55
Los Angeles - San Gabriel Valley										
425 S. Hacienda Blvd.	City of Industry	1	Warehouse / Light Manufacturing	1997	51,823	0.3	% 1	100.0	% 390,888	% 7.72
14955-14971 E Salt Lake Ave	City of Industry	1	Warehouse / Light Manufacturing	1979	126,036	0.8	% 5	100.0	% 950,870	% 7.54
15241 - 15277, 15317 - 15339 Don Julian Rd.	City of Industry	2	Warehouse / Distribution	1965, 2005 / 2003	241,248	1.6	% 15	94.3	% 2,183,638	% 9.60
15715 Arrow Highway	Irwindale	1	Light Manufacturing / Flex	1989	76,000	0.5	% 1	100.0	% 1,006,794	% 13.38

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15705, 15709 Arrow Highway & 5220 Fourth St.	Irwindale	3	Warehouse / Light Manufacturing	1987	69,592	0.5 %	38	95.4 %	730,475	7.0 %	11.11
16321 Arrow Hwy.	Irwindale	3	Warehouse / Light Manufacturing	1955 / 2001	64,296	0.4 %	1	100.0 %	586,368	5.6 %	9.12
14250-14278 Valley Blvd.	La Puente	8	Warehouse / Light Manufacturing	1974 / 2007	99,735	0.7 %	25	94.8 %	909,801	9.0 %	9.56
13914-13932 Valley Blvd.	La Puente	2	Warehouse / Light Manufacturing	1978, 1988 / 2012	58,084	0.4 %	27	90.8 %	490,472	4.9 %	9.38
1400 South Shamrock	Monrovia	1	Light Manufacturing / Flex	1957, 1962 / 2004	67,838	0.5 %	1	100.0 %	936,801	9.3 %	13.80
2743 Thompson Creek Rd.	Pomona	1	Warehouse / Distribution	1983	245,961	1.6 %	1	100.0 %	1,139,340	11.3 %	4.62
280 W. Bonita Ave.	Pomona	1	Warehouse / Distribution	1983	119,898	0.8 %	1	100.0 %	560,523	5.6 %	4.68
3880 West Valley Blvd. (6)	Pomona	1	Warehouse / Light Manufacturing	1980	108,703	0.7 %	1	100.0 %	748,877	7.4 %	6.89
16425 Gale Avenue	City of Industry	1	Warehouse / Distribution	1976	325,800	2.2 %	2	100.0 %	1,442,696	14.4 %	4.43
10750-10826 Lower Azusa Road	El Monte	4	Warehouse / Distribution	1975	79,050	0.5 %	12	97.2 %	586,337	5.8 %	7.62
14742-14750 Nelson Avenue (6)	City of Industry	2	Warehouse / Distribution	1969	147,360	1.0 %	—	— %	—	— %	—
Los Angeles - San Gabriel Valley Total		32			1,881,424	12.5 %	131	90.6 %	12,683,375	12.6 %	7.44
Los Angeles - Central											
6020 Sheila St.	Commerce	1	Warehouse / Distribution	2000	70,877	0.5 %	1	100.0 %	918,703	9.1 %	12.95
6700 S Alameda St.	Huntington Park	1	Warehouse / Distribution	1990 / 2008	78,280	0.5 %	1	100.0 %	1,052,672	10.5 %	13.45
		1		1992	47,490	0.3 %	1	25.0 %	139,626	1.3 %	11.76

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679-691 S Anderson St. (6)	Los Angeles		Warehouse / Light Manufacturing									
1938-1946 E. 46th St.	Vernon	3	Warehouse / Light Manufacturing	1961, 1983 / 2008-2010	190,663	1.3	% 3	100.0	% 1,420,47%		7.45	
Los Angeles - Central Total		6			387,310	2.6	% 6	90.8	% 3,539,87%		10.04	
Los Angeles - Mid-Counties												
16221 Arthur St.	Cerritos	1	Warehouse / Light Manufacturing	1979	61,372	0.4	% 1	100.0	% 350,960%		5.75	
9220-9268 Hall Rd.	Downey	1	Warehouse / Light Manufacturing	2008	176,405	1.2	% 40	95.9	% 1,478,66%		8.74	
9615 Norwalk Blvd. (6)	Santa Fe Springs	2	Warehouse / Distribution	1975	38,362	0.2	% 1	100.0	% 949,860%		24.74	
9641 - 9657 Santa Fe Springs Rd.	Santa Fe Springs	3	Warehouse / Distribution	1982 / 2009	106,995	0.7	% 4	100.0	% 909,756%		8.44	
10701-10719 Norwalk Blvd.	Santa Fe Springs	2	Warehouse / Distribution	2004	58,056	0.4	% 5	100.0	% 420,316%		7.36	
10950 Norwalk Blvd & 12241 Lakeland Rd.	Santa Fe Springs	1	Warehouse / Light Manufacturing	1982	18,995	0.1	% 1	100.0	% 316,380%		16.59	
12247 Lakeland Rd.	Santa Fe Springs	1	Warehouse / Light Manufacturing	1971 / 2016	24,875	0.2	% 1	100.0	% 319,395%		12.84	
12907 Imperial Highway	Santa Fe Springs	1	Warehouse / Distribution	1997	101,080	0.7	% 1	100.0	% 680,644%		6.80	
14944, 14946, 14948 Shoemaker Ave.	Santa Fe Springs	3	Warehouse / Light Manufacturing	1978 / 2012	85,950	0.6	% 24	100.0	% 739,484%		8.53	
Los Angeles - Mid-Counties Total		15			672,090	4.5	% 78	98.9	% 6,156,65%		9.28	

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Los Angeles - South Bay											
1065 E. Walnut Ave.	Carson	1	Warehouse / Light Manufacturing	1974	172,420	1.2 %	2	100.0 %	1,956,821	1,956,821	11.32
18118-18120 S. Broadway ⁽⁶⁾	Carson	3	Warehouse / Distribution	1957 / 1989	78,183	0.5 %	5	100.0 %	594,334	1,783,002	7.60
311, 319 & 329 157th St.	Gardena	4	Warehouse / Light Manufacturing	1960-1971 / 2006-2011	48,000	0.3 %	5	100.0 %	396,847	1,587,388	8.25
240 W Ivy Avenue	Inglewood	1	Warehouse / Distribution	1981	45,685	0.3 %	4	70.9 %	295,091	1,180,364	9.12
1661 240th St.	Los Angeles	1	Warehouse / Distribution	1975 / 1995	96,616	0.7 %	1	100.0 %	650,899	650,899	6.75
11120, 11160, 11200 Hindry Ave	Los Angeles	3	Warehouse / Distribution	1992 / 1994	63,654	0.4 %	15	100.0 %	930,803	2,792,409	14.64
2588 & 2605 Industry Way	Lynwood	2	Warehouse / Light Manufacturing	1969 / 1971	164,662	1.1 %	1	100.0 %	1,354,243	2,708,486	8.22
6423-6431 & 6407-6119 Alondra Blvd.	Paramount	2	Warehouse / Light Manufacturing	1986	30,224	0.2 %	10	100.0 %	280,639	2,806,390	9.29
7110 Rosecrans Ave.	Paramount	1	Warehouse / Light Manufacturing	1972 / 2015	73,439	0.5 %	2	100.0 %	560,335	1,120,670	7.64
20920-20950 Normandie Ave.	Torrance	2	Warehouse / Light Manufacturing	1989	49,519	0.3 %	26	86.8 %	510,212	1,020,424	11.90
24105 Frampton Avenue	Torrance	1	Warehouse / Light Manufacturing	1974 / 2016	49,841	0.3 %	1	100.0 %	406,703	406,703	8.16
1500-1510 W. 228th St. ⁽⁶⁾	Torrance	8	Warehouse / Light Manufacturing	1963 / 1968	89,236	0.6 %	5	66.4 %	506,944	4,055,552	8.55
301-445 Figueroa Street ⁽⁶⁾	Wilmington	1	Warehouse / Distribution	1972	133,925	0.9 %	8	63.2 %	526,296	526,296	6.22
Los Angeles - South Bay Total		30			1,095,404	7.3 %	85	90.9 %	8,978,252	8,978,252	9.00

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Orange County - North

1100-1170 Gilbert St. & 2353-2373 La Palma Ave. 1631 N. Placentia Ave., 2350 - 2384 E. Orangethorpe Ave.	Anaheim	6	Warehouse / Light Manufacturing	1972 / 1990 / 2013	120,313	0.8 %	21	100.0 %	1,311,305	10.91
5235 East Hunter Ave.	Anaheim	1	Warehouse / Light Manufacturing	1987	119,692	0.8 %	3	100.0 %	990,608	8.28
2300-2386 East Walnut Ave.	Fullerton	3	Warehouse / Distribution	1985-1986 / 2005	161,286	1.1 %	16	100.0 %	1,402,071	8.69
1210 N Red Gum St	Anaheim	1	Warehouse / Light Manufacturing	1985	64,570	0.4 %	1	100.0 %	430,788	6.81
1600 Orangethorpe & 1335-1375 Acacia	Fullerton	5	Warehouse / Distribution	1968 / 1985	345,756	2.3 %	10	97.1 %	2,000,280	5.96
Orange County - North Total		18			874,012	5.8 %	80	98.5 %	6,885,574	8.00

Orange County - West

1700 Saturn Way	Seal Beach	1	Warehouse / Light Manufacturing	2006	170,865	1.1 %	1	100.0 %	1,402,190	8.24
17311 Nichols Ln.	Huntington Beach	1	Warehouse / Light Manufacturing	1993 / 2014	114,912	0.8 %	1	100.0 %	870,733	7.62
12131 Western Avenue ⁽⁶⁾	Garden Grove	1	Warehouse / Distribution	1987 / 2007	207,953	1.4 %	1	100.0 %	2,027,083	9.71
Orange County - West Total		3			493,730	3.3 %	3	100.0 %	4,304,346	8.72

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Orange County - South											
20531 Crescent Bay Dr.	Lake Forest	1	Warehouse / Light Manufacturing	1998	46,178	0.3 %	—	— %	—	— %	—
20 Icon	Lake Forest	1	Warehouse / Distribution	1999 / 2015	102,299	0.7 %	1	100.0 %	1,140,196	57%	11.16
9 Holland	Irvine	1	Warehouse / Distribution	1980 / 2013	180,981	1.2 %	2	100.0 %	1,300,177	7%	7.19
Orange County - South Total		3			329,458	2.2 %	3	86.0 %	2,442,042	2%	8.62
Orange County - Airport											
1601 Alton Pkwy. ⁽⁶⁾	Irvine	1	Warehouse / Light Manufacturing	1974	124,000	0.8 %	4	88.7 %	1,140,093	1%	10.37
3441 West MacArthur Blvd.	Santa Ana	1	Warehouse / Distribution	1973	122,060	0.8 %	1	100.0 %	849,057	38%	6.96
600-650 South Grand Ave.	Santa Ana	6	Warehouse / Light Manufacturing	1988	101,210	0.7 %	56	94.0 %	1,095,900	2%	11.51
3720-3750 W. Warner Ave.	Santa Ana	1	Warehouse / Light Manufacturing	1973 / 2008	38,570	0.3 %	11	72.4 %	307,006	1%	10.99
200-220 South Grand Ave.	Santa Ana	1	Warehouse / Light Manufacturing	1973 / 2008	27,200	0.2 %	6	80.1 %	243,022	9%	11.16
2610 & 2701 S. Birch Street	Santa Ana	1	Warehouse / Light Manufacturing	1965 / 2016	98,379	0.6 %	3	100.0 %	1,088,900	4%	11.06
2700 2722 South Fairview Street	Santa Ana	1	Warehouse / Light Manufacturing	1964 / 1984	116,575	0.8 %	3	100.0 %	1,153,031	1%	9.89
2811 South Harbor Boulevard	Santa Ana	1	Warehouse / Light Manufacturing	1977 / 2015	126,796	0.8 %	1	100.0 %	987,038	5%	7.79
Orange County - Airport Total		13			754,790	5.0 %	85	95.2 %	6,863,781	1%	9.55
San Bernardino - Inland Empire West											
Fontana		1		1990	109,463	0.7 %	2	100.0 %	503,009	9%	4.60

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13231 Slover Avenue 10509 Business Drive 8900-8980 Benson Ave., 5637 Arrow Highway 1400 S. Campus Ave. 601-605 S. Milliken Ave. 845, 855, 865 S Milliken Ave & 4317, 4319 Santa Ana St. 710 South Dupont Avenue & 4051 Santa Ana Street 9375 Archibald Ave. 9160 - 9220 Cleveland Ave., 10860 6th St. 9805 6th St. 10700 Jersey Blvd. 15996 Jurupa Avenue 11127 Catawba Avenue	Fontana Montclair Ontario Ontario Ontario Ontario Ontario Rancho Cucamonga Rancho Cucamonga Rancho Cucamonga Fontana Fontana	1 5 2 3 5 2 8 3 2 7 1 1	Warehouse / Distribution Warehouse / Distribution Warehouse / Light Manufacturing Warehouse / Light Manufacturing Light Industrial / Office Light Industrial / Office Warehouse / Light Manufacturing Light Industrial / Office Light Manufacturing / Flex Warehouse / Distribution Light Industrial / Office Warehouse / Distribution Warehouse / Distribution	1989 1974 1964-1966, 1973, 1987 1987 / 1988 1985 2001 1980 / 2007 1988-1989 / 2006 1986 1988-1989 2015 2015	130,788 88,016 107,861 128,322 113,612 111,890 62,677 129,309 81,377 107,568 212,660 145,750	0.9 % 0.6 % 0.7 % 0.9 % 0.8 % 0.7 % 0.4 % 0.9 % 0.5 % 0.7 % 1.4 % 1.0 %	2 48 1 26 19 5 39 4 3 57 1 1	100.0 % 91.8 % 100.0 % 94.5 % 98.4 % 100.0 % 94.6 % 84.5 % 77.3 % 93.5 % 100.0 % 100.0 %	627,662 830,972 478,993 908,380 740,768 835,524 624,082 1,782,387 394,007 998,528 1,096,128 752,070	6.2 % 9.7 % 8.9 % 8.0 % 7.6 % 5.2 % 4.8 % 3.8 % 0.7 % 5.2 % 9.1 % 0.7 %	4.80 10.28 4.44 7.49 6.63 7.47 10.54 16.31 6.26 9.92 5.15 5.16
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12320 4th Street	Rancho Cucamonga	2	Warehouse / Distribution	1997/2003	284,676	1.9 %	1	100.0 %	1,236,000	0.0 %	4.34
San Bernardino - Inland Empire West Total		43			1,813,969	12.1 %	209	96.4 %	11,889,306	0.0 %	6.75
San Bernardino - Inland Empire East											
77-700 Enfield Lane	Palm Desert	1	Warehouse / Light Manufacturing	1990	21,607	0.1 %	6	87.6 %	158,015	0.0 %	8.35
6750 Unit B-C - 6780 Central Ave.	Riverside	4	Warehouse / Light Manufacturing	1978	63,675	0.4 %	6	100.0 %	390,850	0.0 %	6.14
San Bernardino - Inland Empire East Total		5			85,282	0.5 %	12	96.8 %	548,865	0.0 %	6.65
Ventura County											
300 South Lewis Rd.	Camarillo	1	Warehouse / Distribution	1960-1963 / 2006	215,128	1.4 %	8	100.0 %	1,773,666	0.0 %	8.24
201 Rice Ave. & 2400-2420 Celsius	Oxnard	3	Warehouse / Distribution	2008	137,785	0.9 %	22	94.3 %	1,170,628	0.0 %	9.01
610-760 W Hueneme Rd & 5651-5721 Perkins Rd	Oxnard	2	Warehouse / Light Manufacturing	1985	87,181	0.6 %	18	83.3 %	750,254	0.0 %	10.39
1800 Eastman Ave	Oxnard	1	Warehouse / Distribution	2009	33,332	0.2 %	1	100.0 %	230,030	0.0 %	7.02
2220-2260 Camino del Sol	Oxnard	1	Warehouse / Distribution	2005	69,891	0.5 %	2	100.0 %	540,411	0.0 %	7.80
2350-2380 Eastman Ave	Oxnard	4	Warehouse / Distribution	2003	55,296	0.4 %	24	94.6 %	550,621	0.0 %	10.53
2360-2364 E. Sturgis Road	Oxnard	3	Warehouse / Distribution	1989	49,641	0.3 %	17	100.0 %	426,056	0.0 %	8.58
	Oxnard	5		1988	132,187	0.9 %	25	97.5 %	1,089,234	0.0 %	8.41

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3000 Paseo Mercado, 3120-3150 Paseo Mercado			Warehouse / Distribution									
701 Del Norte Blvd.	Oxnard	1	Warehouse / Light Manufacturing	2000	125,514	0.9	% 16	100.0	% 1,109,78%		8.80	
2950 Madera Rd.	Simi Valley	1	Warehouse / Distribution	1988 / 2005	136,065	0.9	% 1	100.0	% 830,785%		6.12	
21-29 West Easy St.	Simi Valley	5	Warehouse / Light Manufacturing	1991 / 2006	102,530	0.7	% 18	95.8	% 1,009,37%		10.61	
3233 Mission Oaks Blvd (6)	Camarillo	2	Warehouse / Distribution	1980-1982 / 2014	455,864	3.0	% 6	80.3	% 2,993,55%		8.18	
Ventura County Total		29			1,600,414	10.7	% 158	92.3	% 12,511,89%		8.47	
San Diego - North County												
6200 & 6300 Yarrow Dr.	Carlsbad	2	Warehouse / Light Manufacturing	1977-1988 / 2006	151,433	1.0	% 4	100.0	% 1,500,68%		9.91	
2431-2465 Impala Dr.	Carlsbad	7	Light Manufacturing / Flex	1983 / 2006	89,955	0.6	% 10	93.1	% 1,140,18%		13.66	
6231 & 6241 Yarrow Dr.	Carlsbad	2	Warehouse / Light Manufacturing	1977 / 2006	80,441	0.5	% 7	100.0	% 780,005%		9.72	
5803 Newton Dr.	Carlsbad	1	Light Manufacturing / Flex	1997-1999 / 2009	71,602	0.5	% 4	100.0	% 720,689%		10.19	
929, 935, 939 & 951 Poinsettia Ave.	Vista	4	Warehouse / Light Manufacturing	1989 / 2007	121,892	0.8	% 10	95.6	% 910,817%		7.87	
2575 Pioneer Ave.	Vista	1	Warehouse / Light Manufacturing	1988 / 2006	68,935	0.5	% 7	100.0	% 610,812%		8.96	
3927 Oceanic Drive	Oceanside	1	Warehouse / Light Manufacturing	2004	54,740	0.4	% 1	100.0	% 420,472%		7.80	

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San Diego - North County Total		18			638,998	4.3 %	43	98.2 %	6,117,657	5.1 %	9,910,000
San Diego - Central											
12345 First American Way	Poway	1	Light Manufacturing / Flex	2002 / 2007	40,022	0.3 %	1	100.0 %	494,672	0.4 %	1,100,000
12720-12860 Danielson Ct.	Poway	6	Light Industrial / Office	1999	112,062	0.7 %	17	100.0 %	1,143,040	0.9 %	1,100,000
8902-8940 Activity Rd	San Diego	5	Light Industrial / Office	1987 / 1997	112,501	0.7 %	32	91.2 %	1,481,466	1.2 %	1,100,000
2535 Midway Dr. ⁽⁶⁾	San Diego	2	Warehouse / Distribution	1972	373,744	2.5 %	—	— %	—	— %	—
6970-7170 & 7310-7374 Convoy Ct.	San Diego	13	Warehouse / Distribution	1971	187,763	1.3 %	50	92.6 %	2,561,057	2.1 %	1,100,000
9340 Cabot Drive	San Diego	1	Warehouse / Light Manufacturing	1975 / 1976	86,564	0.6 %	3	100.0 %	762,975	0.6 %	800,000
9404 Cabot Drive	San Diego	1	Warehouse / Light Manufacturing	1975 / 1976	46,846	0.3 %	1	100.0 %	\$477,829	0.4 %	\$500,000
9455 Cabot Drive	San Diego	1	Warehouse / Light Manufacturing	1975 / 1976	96,840	0.6 %	2	100.0 %	827,403	0.7 %	800,000
9755 Distribution Ave.	San Diego	1	Warehouse / Light Manufacturing	1974	47,666	0.3 %	2	100.0 %	425,409	0.4 %	800,000
9855 Distribution Ave	San Diego	1	Warehouse / Light Manufacturing	1983	60,819	0.4 %	2	100.0 %	584,645	0.5 %	900,000
10439-10477 Roselle St.	San Diego	10	Warehouse / Light Manufacturing	1970 / 2007	97,967	0.7 %	44	91.8 %	1,240,811	1.0 %	1,100,000
8525 Camino Santa Fe	San Diego	1	Warehouse / Distribution	1986	59,399	0.4 %	3	88.5 %	467,402	0.4 %	800,000
	San Diego	1		1991	112,000	0.7 %	1	100.0 %	1,107,456	0.9 %	900,000

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13550 Stowe Drive 9190			Warehouse / Distribution								
Activity	San Diego	1	Warehouse / Distribution	1986	83,520	0.6	% 1	100.0%	791,770	0.7	% 9
Road											
San Diego - Central Total		45			1,517,713	10.1	% 159	72.8 %	12,365,935	10.2	% 1
San Diego - South County											
131 W. 33rd St.	National City	2	Warehouse / Light Manufacturing	1969 / 2008	76,701	0.5	% 16	98.9 %	702,783	0.6	% 9
Consolidated Portfolio - Total / Weighted Average											
	136 Properties	316			15,020,336	100.0%	1,266	91.7 %	120,530,391	100.0%	8

- (1) Year renovated reflects the most recent year in which a material upgrade, alteration or addition to building systems was completed, resulting in increased marketability of the property.
- (2) Calculated as rentable square feet for such property divided rentable square feet for the total consolidated portfolio as of December 31, 2016.
- (3) Calculated as monthly contracted base rent per the terms of the lease(s) at such property, as of December 31, 2016, multiplied by 12. Excludes billboard and antenna revenue and rent abatements.
- (4) Calculated as annualized base rent for such property divided by annualized base rent for the total consolidated portfolio as of December 31, 2016.
- (5) Calculated as annualized base rent for such property divided by leased square feet for such property as of December 31, 2016.
- (6) This property is undergoing repositioning, redevelopment, or lease-up as of December 31, 2016, or is expected to be placed under repositioning in 2017.

Property Diversification

The following table sets forth information relating to diversification by property type in our portfolio based on total annualized rent as of December 31, 2016.

Property Type	Number of Properties	Occupancy ⁽¹⁾	Rentable Square Feet	Percentage of Total Rentable Square Feet		Annualized Base Rent ⁽²⁾	Percentage of Total Annualized Base Rent ⁽³⁾		Annualized Base Rent per Square Foot ⁽⁴⁾
Warehouse / Distribution	51	89.6 %	7,726,735	51.4 %		\$ 53,804	44.7 %	\$ 7.77	
Warehouse / Light Manufacturing	69	93.7 %	6,001,512	40.0 %		\$ 50,892	42.2 %	\$ 9.05	
Light Industrial / Office ⁽⁵⁾	9	94.7 %	785,744	5.2 %		\$ 9,085	7.5 %	\$ 12.21	
Light Manufacturing / Flex	7	94.8 %	506,345	3.4 %		\$ 6,750	5.6 %	\$ 14.06	
Total / Weighted Average	136	91.7 %	15,020,336	100.0 %		\$ 120,530	100.0 %	\$ 8.75	

(1) Calculated as the average occupancy at such properties as of December 31, 2016.

Calculated for each property as the monthly contracted base rent per the terms of the lease(s) at such property, as of December 31, 2016, multiplied by 12, and then aggregated by property type. Excludes billboard and antenna revenue and rent abatements. Amounts in thousands.

(3) Calculated for each property type as annualized base rent for such property type divided by annualized base rent for the total consolidated portfolio as of December 31, 2016.

(4) Calculated for each property type as annualized base rent for such property type divided by leased square feet for such property type as of December 31, 2016.

(5) Includes two properties (901 West Alameda and 700 Allen) aggregating 70,092 rentable square feet that are classified as Creative Office.

Uncommenced Leases

Uncommenced leases as of December 31, 2016, reflect signed leases that have not yet commenced as of December 31, 2016. Differences between our occupancy rates and leased rates as disclosed throughout this Annual Report on Form 10-K, are attributed to our uncommenced leases. The following table sets forth information relating to our uncommenced leases.

Market	Leased Square Feet Under Uncommenced Leases	Pro Forma Occupancy ⁽¹⁾	Annualized Base Rent Under Uncommenced Leases ⁽²⁾	Total Pro Forma Annualized Base Rent ⁽³⁾	Total Pro Forma Annualized Base Rent per Square Foot ⁽⁴⁾
Los Angeles County	18,609	92.4 %	\$ 198	\$ 56,175	\$ 8.90
Orange County	—	96.1 %	\$ —	\$ 20,496	\$ 8.70
San Bernardino County	5,520	96.7 %	\$ 54	\$ 12,412	\$ 6.76
San Diego County	—	81.0 %	\$ —	\$ 19,186	\$ 10.61
Ventura County	—	92.3 %	\$ —	\$ 12,513	\$ 8.47
Total/Weighted Average	24,129	91.8 %	\$ 252	\$ 120,782	\$ 8.76

(1) Pro forma occupancy is calculated as (i) square footage under lease as of December 31, 2016, plus additional square footage leased pursuant to uncommenced leases as of December 31, 2016.

(2) Annualized base rent under uncommenced leases is calculated by multiplying the first full month of contractual base rents (before rent abatements) to be received under uncommenced leases, by 12 and then aggregating by

market. Amounts in thousands.

(3) Total pro forma annualized base rent is calculated by adding annualized base rent as of December 31, 2016, and annualized base rent under uncommenced leases. Amounts in thousands.

Annualized base rent per square foot under uncommenced leases is calculated as (i) annualized rent base under (4) leases entered into as of December 31, 2016, but that had not commenced as of December 31, 2016, divided by (ii) leased square feet under uncommenced leases.

37

Geographic Diversification

The following table sets forth information relating to geographic diversification by county and submarket in our portfolio based on total annualized base rent as of December 31, 2016.

Market	Number of Properties	Occupancy ⁽¹⁾	Rentable Square Feet	Percentage of Total Rentable Square Feet	Annualized Base Rent ⁽²⁾	Percentage of Total Annualized Base Rent ⁽³⁾	Annualized Base Rent per Square Foot ⁽⁴⁾
Los Angeles County							
Central LA	4	90.8	% 387,310	2.6	% \$ 3,531	2.9	% \$ 10.04
Greater San Fernando Valley	25	92.1	% 2,799,041	18.6	% \$ 24,628	20.4	% \$ 9.55
Mid-Counties	9	98.9	% 672,090	4.5	% \$ 6,167	5.1	% \$ 9.28
San Gabriel Valley	15	90.6	% 1,881,424	12.5	% \$ 12,683	10.5	% \$ 7.44
South Bay	13	90.9	% 1,095,404	7.3	% \$ 8,968	7.5	% \$ 9.00
Subtotal / Weighted Average	66	92.1	% 6,835,269	45.5	% \$ 55,977	46.4	% \$ 8.89
Orange County							
North Orange County	6	98.5	% 874,012	5.8	% \$ 6,886	5.7	% \$ 8.00
OC Airport	8	95.2	% 754,790	5.0	% \$ 6,864	5.7	% \$ 9.55
South Orange County	3	86.0	% 329,458	2.2	% \$ 2,442	2.0	% \$ 8.62
West Orange County	3	100.0	% 493,730	3.3	% \$ 4,304	3.6	% \$ 8.72
Subtotal / Weighted Average	20	96.1	% 2,451,990	16.3	% \$ 20,496	17.0	% \$ 8.70
San Bernardino County							
Inland Empire East	2	96.8	% 85,282	0.5	% \$ 549	0.5	% \$ 6.65
Inland Empire West	14	96.4	% 1,813,969	12.1	% \$ 11,809	9.8	% \$ 6.75
Subtotal / Weighted Average	16	96.4	% 1,899,251	12.6	% \$ 12,358	10.3	% \$ 6.75
Ventura County							
Ventura	12	92.3	% 1,600,414	10.7	% \$ 12,513	10.4	% \$ 8.47
Subtotal / Weighted Average	12	92.3	% 1,600,414	10.7	% \$ 12,513	10.4	% \$ 8.47
San Diego County							
Central San Diego	14	72.8	% 1,517,713	10.1	% \$ 12,366	10.2	% \$ 11.19
North County San Diego	7	98.2	% 638,998	4.3	% \$ 6,117	5.1	% \$ 9.75
South County San Diego	1	98.9	% 76,701	0.5	% \$ 703	0.6	% \$ 9.27
Subtotal / Weighted Average	22	81.0	% 2,233,412	14.9	% \$ 19,186	15.9	% \$ 10.61
Consolidated Portfolio - Total / Weighted Average	136	91.7	% 15,020,336	100.0	% \$ 120,530	100.0	% \$ 8.75

(1) Calculated as the average occupancy at such properties as of December 31, 2016.

Represents annualized based rent for each property (calculated as monthly contracted base rent (before rent (2) abatements) per the terms of the lease(s) at such property, as of December 31, 2016, multiplied by 12), aggregated by market. Excludes billboard and antenna revenue. Amounts in thousands.

(3) Calculated as annualized base rent for such market divided by annualized base rent for the total consolidated portfolio as of December 31, 2016.

(4) Calculated as annualized base rent for such market divided by leased square feet for such market as of December 31, 2016.

Industry Diversification

The following table sets forth information relating to tenant diversification by industry in our portfolio based on total annualized base rent as of December 31, 2016.

Industry	Number of Leases ⁽¹⁾	Leased Square Feet	Percentage of Total Leased Square Feet	Annualized Base Rent ⁽²⁾	Percentage of Total Annualized Base Rent ⁽³⁾	Annualized Base Rent per Square Foot ⁽⁴⁾
Warehousing	277	3,812,327	27.6 %	\$ 29,784	24.7 %	\$ 7.81
Wholesale Trade	256	2,479,575	18.0 %	\$ 21,185	17.5 %	\$ 8.54
Manufacturing	110	1,876,644	13.6 %	\$ 15,447	12.8 %	\$ 8.23
Professional, Scientific, and Technical Services	93	787,219	5.7 %	\$ 8,953	7.4 %	\$ 11.37
Retail Trade	107	1,015,095	7.4 %	\$ 7,892	6.5 %	\$ 7.77
Transportation	35	727,231	5.3 %	\$ 6,468	5.4 %	\$ 8.89
Construction	118	585,044	4.3 %	\$ 5,829	4.8 %	\$ 9.96
Information	34	417,337	3.0 %	\$ 4,752	3.9 %	\$ 11.39
Repair and Maintenance	36	331,375	2.4 %	\$ 3,054	2.5 %	\$ 9.22
Paper/Printing	13	377,970	2.7 %	\$ 2,895	2.4 %	\$ 7.66
Health Care and Social Assistance	27	279,352	2.0 %	\$ 2,588	2.1 %	\$ 9.26
Administrative and Support and Waste Management and Remediation Services	45	250,031	1.8 %	\$ 2,541	2.1 %	\$ 10.16
Real Estate and Rental and Leasing	18	266,315	1.9 %	\$ 2,422	2.0 %	\$ 9.09
Arts, Entertainment, and Recreation	22	127,932	0.9 %	\$ 2,104	1.8 %	\$ 16.45
Public Administration	6	75,012	0.6 %	\$ 1,306	1.1 %	\$ 17.41
Other	69	385,972	2.8 %	\$ 3,562	3.0 %	\$ 9.23
Total / Weighted Average	1,266	13,794,431	100.0 %	\$ 120,782	100.0 %	\$ 8.76

(1) A single lease may cover space in more than one building.

Calculated for each lease as the monthly contracted base rent (before rent abatements) per the terms of such lease, (2) as of December 31, 2016, multiplied by 12, and then aggregated by industry. Excludes billboard and antenna revenue. Amounts in thousands.

(3) Calculated as annualized base rent for tenants in such industry divided by annualized base rent for the total consolidated portfolio as of December 31, 2016.

(4) Calculated as annualized base rent for tenants in such industry divided by leased square feet for tenants in such industry as of December 31, 2016.

Tenants

Our portfolio of properties has a stable and diversified tenant base. As of December 31, 2016, our consolidated properties were 91.8% leased to tenants in a variety of industries, with no single tenant accounting for more than 1.7% of our total annualized base rent. Our average lease size is approximately 10,896 square feet, and approximately 51% of our total leased square feet consists of leases that are less than 50,000 square feet each. Our 10 largest tenants combined account for 12.9% of our annualized base rent as of December 31, 2016. We intend to continue to maintain a diversified mix of tenants in order to limit our exposure to any single tenant or industry.

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The following table sets forth information about the 10 largest tenants in our portfolio based on total annualized base rent as of December 31, 2016.

Tenant	Submarket	Leased Square Feet	Percentage of Total Leased Square Feet	Annualized Base Rent ⁽¹⁾	Percentage of Total Annualized Base Rent ⁽²⁾	Annualized Base Rent per Square Foot ⁽³⁾	Lease Expirations
Money Mailer Holding Corporation	West Orange County	207,953	1.5 %	\$ 2,020	1.7 %	\$ 9.71	12/31/2016 ⁽⁴⁾
32 Cold, LLC ⁽⁵⁾	Central LA	149,157	1.1 %	\$ 1,971	1.6 %	\$ 13.21	3/31/2026 ⁽⁶⁾
Cosmetic Laboratories of America, LLC	Greater San Fernando Valley	319,348	2.3 %	\$ 1,900	1.6 %	\$ 5.95	6/30/2020
Triscenic Production Services, Inc.	Greater San Fernando Valley	255,303	1.9 %	\$ 1,885	1.6 %	\$ 7.38	3/31/2022 ⁽⁷⁾
Technicolor Home Entertainment Services, Inc.	Ventura	144,465	1.0 %	\$ 1,433	1.2 %	\$ 9.92	5/31/2017 ⁽⁸⁾
Valeant Pharmaceuticals International, Inc.	West Orange County	170,865	1.2 %	\$ 1,408	1.2 %	\$ 8.24	12/31/2019
Triumph Processing, Inc.	South Bay	164,662	1.2 %	\$ 1,354	1.1 %	\$ 8.22	5/31/2030
Heritage Bag Company	Inland Empire West	284,676	2.1 %	\$ 1,236	1.0 %	\$ 4.34	11/27/2030
Biosense Webster	San Gabriel Valley	89,920	0.7 %	\$ 1,168	1.0 %	\$ 12.99	10/31/2020 ⁽⁹⁾
Senior Operations, Inc.	Greater San Fernando Valley	130,800	0.9 %	\$ 1,162	0.9 %	\$ 8.88	11/30/2024
Top 10 Tenants		1,917,149	13.9 %	\$ 15,537	12.9 %	\$ 8.10	
All Other Tenants		11,877,282	86.1 %	\$ 105,245	87.1 %	\$ 8.86	
Total Consolidated Portfolio		13,794,431	100.0 %	\$ 120,782	100.0 %	\$ 8.76	

Calculated for each tenant as the monthly contracted base rent per the terms of such tenant's lease as of (1) December 31, 2016, multiplied by 12. Excludes billboard and antenna revenue and rent abatements. Amounts in thousands.

(2) Calculated as annualized base rent for such tenant divided by annualized base rent for the total consolidated portfolio as of December 31, 2016.

(3) Calculated as annualized base rent for such tenant divided by leased square feet for such tenant as of December 31, 2016.

(4) As of December 31, 2016, this tenant is occupying the property located at 12131 Western Avenue. We plan to reposition this property in 2017 after the tenant vacates.

These leases were amended, assumed by the tenant, and approved for inclusion in their anticipated plan of (5) reorganization by the residing court in connection with the tenant's chapter 11 reorganization plan under the United States Bankruptcy Code.

(6) Includes (i) 78,280 rentable square feet expiring September 30, 2025, and (ii) 70,877 rentable square feet expiring March 31, 2026.

(7) Includes (i) 38,766 rentable square feet expiring November 30, 2019, (ii) 147,318 rentable square feet expiring September 30, 2021, and (iii) 69,219 rentable square feet expiring March 31, 2022.

As of December 31, 2016, this tenant is occupying 144,465 rentable square feet at the property located at 3233 (8) Mission Oaks Boulevard, which includes 107,965 rentable square feet of warehouse space. We plan to reposition this warehouse space in 2017 after the tenant vacates.

(9) Includes (i) 12,800 rentable square feet expiring September 30, 2017, (ii) 1,120 rentable square feet expiring September 30, 2019, and (iii) 76,000 rentable square feet expiring October 31, 2020.

Leases

Overview

Triple net lease. In our triple net leases, the tenant is responsible for all aspects of and costs related to the property and its operation during the lease term. The landlord may have responsibility under the lease to perform or pay for certain capital repairs or replacements to the roof, structure or certain building systems, such as heating and air conditioning and fire suppression. The tenant may have the right to terminate the lease or abate rent due to a major casualty or condemnation affecting a significant portion of the property or due to the landlord's failure to perform its obligations under the lease. As of December 31, 2016, there were 195 triple net leases in our consolidated portfolio, representing approximately 56% of our total annualized base rent.

Modified gross lease. In our modified gross leases, the landlord is responsible for some property-related expenses during the lease term, but a significant amount of the expenses is passed through to the tenant for reimbursement to the landlord. The tenant may have the right to terminate the lease or abate rent due to a major casualty or condemnation affecting a significant portion of the property or due to the landlord's failure to perform its obligations under the lease. As of December 31, 2016, there were 865 modified gross leases in our consolidated portfolio, representing approximately 35% of our total annualized base rent.

Gross lease. In our gross leases, the landlord is responsible for all aspects of and costs related to the property and its operation during the lease term. The tenant may have the right to terminate the lease or abate rent due to a major casualty or condemnation affecting a significant portion of the property or due to the landlord's failure to perform its obligations under the lease. As of December 31, 2016, there were 206 gross leases in our consolidated portfolio, representing approximately 9% of our total annualized base rent.

The following table provides information regarding our lease segmentation by size as of December 31, 2016:

Square Feet	Number Leased of Leases	Square Feet	Percentage of Total Leased Square Feet	Annualized Base Rent ⁽¹⁾	Percentage of Total Annualized Base Rent ⁽²⁾	Annualized Base Rent per Square Foot ⁽³⁾
<4,999	838	1,743,534	12.6 %	\$ 19,445	16.1 %	\$ 11.15
5,000 - 9,999	159	1,097,845	8.0 %	\$ 11,394	9.4 %	\$ 10.38
10,000 - 24,999	158	2,530,727	18.3 %	\$ 24,233	20.1 %	\$ 9.58
25,000 - 49,999	47	1,678,652	12.2 %	\$ 15,661	13.0 %	\$ 9.33
>50,000	64	6,743,673	48.9 %	\$ 50,049	41.4 %	\$ 7.42
Total / Weighted Average	1,266	13,794,431	100.0 %	\$ 120,782	100.0 %	\$ 8.76

Calculated for each lease as the monthly contracted base rent per the terms of such lease, as of December 31, 2016, (1) multiplied by 12, and then aggregated by square feet. Excludes billboard and antenna revenue and rent abatements. Amounts in thousands.

(2) Calculated as annualized base rent for such leases divided by annualized base rent for the total consolidated portfolio as of December 31, 2016.

(3) Calculated as annualized base rent for such leases divided by leased square feet for such leases as of December 31, 2016.

Lease Expirations

As of December 31, 2016, our weighted average in-place remaining lease term was approximately 3.5 years including month-to-month leases, and approximately 3.6 years excluding month-to-month leases. The following table sets forth a summary schedule of lease expirations for leases in place as of December 31, 2016, plus available space, for each of the 10 full calendar years commencing December 31, 2016 and thereafter in our portfolio. The information set forth in the table assumes that tenants exercise no renewal options and no early termination rights.

Year of Lease Expiration	Number of Leases Expiring	Total Rentable Square Feet ⁽¹⁾	Percentage of Total Owned Square Feet	Annualized Base Rent ⁽²⁾	Percentage of Total Annualized Base Rent ⁽³⁾	Annualized Base Rent per Square Foot ⁽⁴⁾
Available ⁽⁵⁾	—	1,225,906	8.2 %	\$ —	— %	\$ —
MTM Tenants ⁽⁶⁾	98	269,121	1.8 %	2,899	2.4 %	\$ 10.77
2016	32	668,647	4.4 %	5,345	4.4 %	\$ 7.99
2017	374	2,448,705	16.3 %	21,552	17.8 %	\$ 8.80
2018	335	1,888,409	12.6 %	17,473	14.5 %	\$ 9.25
2019	212	1,913,525	12.7 %	16,984	14.1 %	\$ 8.88
2020	79	1,629,744	10.8 %	14,066	11.6 %	\$ 8.63
2021	81	2,269,426	15.1 %	19,163	15.9 %	\$ 8.44
2022	18	595,388	4.0 %	4,217	3.5 %	\$ 7.08
2023	13	445,013	3.0 %	4,641	3.8 %	\$ 10.43
2024	9	567,902	3.8 %	5,189	4.3 %	\$ 9.14
2025	4	260,467	1.7 %	2,479	2.1 %	\$ 9.52
Thereafter	11	838,083	5.6 %	6,774	5.6 %	\$ 8.08
Total Consolidated Portfolio	1,266	15,020,336	100.0 %	\$ 120,782	100.0 %	\$ 8.76

(1) Represents the contracted square footage upon expiration.

(2) Calculated as monthly contracted base rent (in thousands) per the terms of such lease, as of December 31, 2016, multiplied by 12. Excludes billboard and antenna revenue and rent abatements.

(3) Calculated as annualized base rent set forth in this table divided by annualized base rent for the total portfolio as of December 31, 2016.

(4) Calculated as annualized base rent for such leases divided by leased square feet for such leases as of December 31, 2016.

(5) Represents vacant space as of December 31, 2016.

(6) Represents tenants under month-to-month (“MTM”) leases or having holdover tenancy. Includes 61 MTM leases totaling 62,590 rentable square feet at our property located at 14723-14825 Oxnard Street, where due to the number and the small size of spaces, we typically only enter into MTM leases.

Historical Tenant Improvements and Leasing Commissions

The following table sets forth certain historical information regarding leasing related (revenue generating) tenant improvement and leasing commission costs for tenant at the properties in our portfolio as follows:

	The Year Ended December 31,								
	2016			2015			2014		
	Cost (1)	Square Feet	PSF ⁽²⁾	Cost (1)	Square Feet	PSF ⁽²⁾	Cost (1)	Square Feet	PSF ⁽²⁾
Tenant Improvements									
New Leases - First Generation ⁽³⁾⁽⁴⁾	\$1,474	493,978	\$ 2.98	\$736	516,605	\$ 1.42	\$547	272,523	\$ 2.01
New Leases - Second Generation ⁽³⁾⁽⁵⁾	2,295	1,182,569	1.94	1,509	893,499	1.69	1,303	679,558	1.92
Renewal Leases	288	377,053	0.76	190	209,910	0.91	419	568,956	0.74
Total Tenant Improvements	\$4,057	2,053,600	\$ 1.97	\$2,435	1,620,014	\$ 1.50	\$2,269	1,521,037	\$ 1.49
Leasing Commissions									
New Leases - First Generation ⁽³⁾⁽⁴⁾	\$2,622	1,586,659	\$ 1.65	\$1,538	868,335	\$ 1.77	\$597	426,427	\$ 1.40
New Leases - Second Generation ⁽³⁾⁽⁵⁾	1,516	915,069	1.66	1,108	890,044	1.24	767	704,126	1.09
Renewal Leases	1,144	1,801,991	0.63	255	579,677	0.44	674	671,935	1.00
Total Leasing Commissions	\$5,282	4,303,719	\$ 1.23	\$2,901	2,338,056	\$ 1.24	\$2,038	1,802,488	\$ 1.13
Total Tenant Improvements & Leasing Commissions	\$9,339	6,357,319	\$ 3.20	\$5,336	3,958,070	\$ 2.74	\$4,307	3,323,525	\$ 2.62

(1) Cost is reported in thousands. Costs of tenant improvements include contractual tenant allowances and costs necessary to prepare a space for occupancy by a new tenant.

(2) Per Square foot ("PSF") amounts calculated by dividing the aggregate tenant improvement and/or leasing commission cost by the aggregate square footage of the leases in which we incurred such costs, excluding new/renewal leases in which there were no tenant improvements and/or leasing commissions.

(3) New leases represent all leases other than renewal leases.

(4) Tenant improvements and leasing commissions related to our initial leasing of vacant space in acquired properties or leasing of a space that has been vacant for more than 12 months, are considered first generation costs.

(5) Tenant improvements and leasing commissions related to leasing of a space that has been previously occupied by a tenant during the prior 12 months, are considered second generation costs.

Historical Capital Expenditures

The following table sets forth certain information regarding historical maintenance (non-revenue generating) capital expenditures at the properties in our portfolio as follows:

	Year Ended December 31,								
	2016			2015			2014		
	Cost ⁽¹⁾	Square Feet ⁽²⁾	PSF ⁽³⁾	Cost ⁽¹⁾	Square Feet ⁽²⁾	PSF ⁽³⁾	Cost ⁽¹⁾	Square Feet ⁽²⁾	PSF ⁽³⁾
Non-Recurring Capital Expenditures⁽⁴⁾	\$21,192	9,061,612	\$ 2.34	\$14,472	6,118,145	\$ 2.37	\$9,053	4,575,916	\$ 1.98
Recurring Capital Expenditures⁽⁵⁾	2,792	13,611,194	\$0.21	3,530	10,710,780	\$0.33	2,387	7,621,459	\$0.31
Total Capital Expenditures	\$23,984			\$18,002			\$11,440		

(1) Cost is reported in thousands.

(2) For non-recurring capital expenditures, reflects the aggregate square footage of the properties in which we incurred such capital expenditures. For recurring capital expenditures, reflects the weighted average square footage of our consolidated portfolio for the period.

(3) PSF amounts calculated by dividing the aggregate capital expenditure costs by the square footage as defined in (1) and (2) above.

(4) Non-recurring capital expenditures are expenditures made in respect of a property for improvement to the appearance of such property or any other major upgrade or renovation of such property, and further includes capital

expenditures for seismic upgrades, or capital expenditures for deferred maintenance existing at the time such property was acquired.

Recurring capital expenditures are expenditures made in respect of a property for maintenance of such property and replacement of items due to ordinary wear and tear including, but not limited to, expenditures made for (5) maintenance or replacement of parking lot, roofing materials, mechanical systems, HVAC systems and other structural systems.

Item 3. Legal Proceedings

From time to time, we are party to various lawsuits, claims and legal proceedings that arise in the ordinary course of our business. We are not currently a party to any legal proceedings that we believe would reasonably be expected to have a material adverse effect on our business, financial condition or results of operations.

Item 4. Mine Safety Disclosures

Not applicable.

44

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock is traded on the NYSE under the symbol "REXR". On February 14, 2017, the reported closing sale price per share of our common stock was \$22.67, and there were approximately 181 holders of record. Certain shares of our Company are held in "street" name and accordingly, the number of beneficial owners of such shares is not known or included in the foregoing numbers.

The following table sets forth the high and low closing sales prices for our common stock as reported by the NYSE and the per share dividends declared on our common stock, for the periods indicated:

Period	Range		Cash Dividend per Common Share
	High	Low	
2016:			
First Quarter	\$ 18.36	\$ 15.43	\$ 0.135
Second Quarter	\$ 21.10	\$ 17.85	\$ 0.135
Third Quarter	\$ 23.17	\$ 20.91	\$ 0.135
Fourth Quarter	\$ 23.27	\$ 20.27	\$ 0.135
2015:			
First Quarter	\$ 16.69	\$ 15.52	\$ 0.120
Second Quarter	\$ 16.08	\$ 14.48	\$ 0.120
Third Quarter	\$ 15.10	\$ 12.69	\$ 0.135
Fourth Quarter	\$ 16.66	\$ 13.92	\$ 0.135

We intend to continue to pay regular quarterly distributions on our common stock, however, the actual amount and timing of distributions will be at the discretion of our board of directors and will depend upon a variety of factors including our actual financial condition, in addition to the requirements of the Code, and no assurance can be given as to the amounts or timing of future distributions. In addition, our unsecured revolving credit and term loan facilities contain limitations on our ability to pay distributions on our common stock. Specifically, our cash dividends may not exceed the greater of (1) 95% of our FFO (as defined in the credit agreement) and (2) the amount required for us to qualify and maintain our REIT status. If an event of default exists, we may only make distributions sufficient to qualify and maintain our REIT status.

Sales of Unregistered Securities

None.

Repurchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or approximate dollar value) of Shares that May Yet Be Purchased Under the Plans or Programs
October 1, 2016 to October 31, 2016 ⁽¹⁾	11,138	\$ 21.99	N/A	N/A
November 1, 2016 to November 30, 2016	—	—	N/A	N/A
December 1, 2016 to December 31, 2016	—	—	N/A	N/A
	11,138	\$ 21.99	N/A	N/A

⁽¹⁾ In October 2016, these shares were tendered by certain of our employees to satisfy minimum statutory tax withholding obligations related to the vesting of restricted shares.

Equity Compensation Plan Information

Our equity compensation plan information required by this item is incorporated by reference to the information in Part III, Item 12 of this Annual Report on Form 10-K.

Performance Graph

The following graph compares the cumulative total stockholder return on our common stock from July 18, 2013 to December 31, 2016 with the cumulative total return of the Standard & Poor's 500 Index and a selection of appropriate "peer group" indexes (assuming the investment of \$100 in our common stock and in each of the indexes on July 18, 2013 and that all dividends were reinvested into additional shares of common stock at the frequency with which dividends are paid on the common stock during the applicable fiscal year). The total return performance shown in this graph is not necessarily indicative of, and is not intended to suggest, future total return performance.

Index	Period Ending							
	7/18/2013	12/31/2013	6/30/2014	12/31/2014	6/30/2015	12/31/2015	6/30/2016	12/31/2016
Rexford Industrial Realty, Inc.	100.00	95.80	105.10	117.83	111.09	126.93	165.92	184.60
S&P 500	100.00	110.47	118.36	125.60	127.14	127.34	132.22	142.56
MSCI US REIT	100.00	91.51	107.69	119.31	111.92	122.31	138.90	132.83
SNL US REIT Industrial	100.00	93.91	106.36	113.62	100.84	117.07	144.02	147.43

Item 6. Selected Financial Data.

The following table sets forth selected financial and operating data on a historical basis for “Rexford Industrial Realty, Inc. Predecessor” prior to our IPO and Rexford Industrial Realty, Inc. subsequent to our IPO. Rexford Industrial Realty, Inc. Predecessor consists of Rexford Industrial, LLC, Rexford Sponsor V LLC, Rexford Industrial Fund V REIT, LLC and their consolidated subsidiaries which consists of Rexford Industrial Fund I, LLC, Rexford Industrial Fund II, LLC, Rexford Industrial Fund III, LLC, Rexford Industrial Fund IV, LLC, Rexford Industrial Fund V, LP and their subsidiaries. Each of the entities comprising Rexford Industrial Realty, Inc. Predecessor were owned, managed, and controlled, individually or jointly, by our predecessor principals. As such, we have combined these entities on the basis of common ownership and common management.

You should read the following summary financial and operating data in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and our audited financial statements and related notes, elsewhere in this Annual Report on Form 10-K.

The summary historical consolidated and combined financial and operating data as of December 31, 2016, 2015, 2014, 2013, and 2012 and for the years ended December 31, 2016, 2015 and 2014, the period from July 24, 2013 to December 31, 2013, the period from January 1, 2013 to July 23, 2013, and the year ended December 31, 2012, have been derived from our audited historical consolidated financial statements subsequent to our IPO and our audited historical combined financial statements of Rexford Industrial Realty, Inc. Predecessor prior to our IPO. All consolidated financial data has been restated, as appropriate, to reflect the impact of activity classified as discontinued operations and properties held for sale for all periods presented.

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	Rexford Industrial Realty, Inc.				Rexford Industrial Realty, Inc. Predecessor	
	Year Ended	Year Ended	Year Ended	Period	Year	Year
	December 31,	December 31,	December 31,	from	Ended	Ended
	2016	2015	2014	July 24,	from	December 31,
				2013 to	January 1,	2012
				December	2013	
				31, 2013	to July	
					23, 2013	
	(in thousands, except for share and per share data)					
Statement of Operations Data:						
Total revenues from continuing operations	\$ 126,192	\$ 93,900	\$ 66,581	\$ 21,618	\$ 22,747	\$ 32,994
Net income (loss) from continuing operations	\$ 25,876	\$ 1,950	\$ (1,170)	\$ (1,002)	\$ (8,194)	\$ (8,314)
Net income (loss)	\$ 25,876	\$ 1,950	\$ 976	\$ (711)	\$ (4,281)	\$ (8,957)
Per Share Data:						
Weighted average common shares outstanding - basic	62,723,021	54,024,923	31,953,506	24,925,226		
Weighted average common shares outstanding - diluted	62,965,554	54,024,923	31,953,506	24,925,226		
Net income (loss) from continuing operations available to common stockholders - basic and diluted	\$ 0.36	\$ 0.03	\$ (0.04)	\$ (0.04)		
Net income (loss) available to common stockholders - basic and diluted	\$ 0.36	\$ 0.03	\$ 0.02	\$ (0.03)		
Dividends declared per common share	\$ 0.54	\$ 0.51	\$ 0.48	\$ 0.21		
Balance Sheet Data (End of Period):						
Total real estate held for investment, before accumulated depreciation	\$ 1,552,129	\$ 1,188,766	\$ 930,462	\$ 540,623		\$ 368,978
Total real estate held for investment, after accumulated depreciation	\$ 1,416,989	\$ 1,085,143	\$ 853,578	\$ 481,673		\$ 313,608
Total assets	\$ 1,515,008	\$ 1,153,251	\$ 932,185	\$ 554,236		\$ 419,114
Notes payable	\$ 500,184	\$ 418,154	\$ 356,365	\$ 192,008		\$ 294,037
Total liabilities	\$ 552,868	\$ 459,507	\$ 386,308	\$ 212,467		\$ 322,866
Preferred stock	\$ 86,651	\$ —	\$ —	\$ —		\$ —
Total equity	\$ 962,140	\$ 693,744	\$ 545,877	\$ 341,769		\$ 96,248
Other Data:						
Funds from operations ⁽¹⁾	\$ 58,584	\$ 43,844	\$ 27,970	\$ 8,316	\$ 4,307	\$ 4,614
Cash flow provided by operating activities	\$ 56,432	\$ 40,508	\$ 24,504	\$ 8,912	\$ 4,593	\$ 1,080
Cash flow used in investing activities	\$ (361,214)	\$ (236,774)	\$ (380,581)	\$ (81,719)	\$ (46,616)	\$ (23,778)
Cash flow provided by (used in) financing activities	\$ 315,106	\$ 192,861	\$ 355,686	\$ 81,804	\$ (1,476)	\$ 45,269
Total number of in-service properties	136	119	98	68	61	60

(1) See Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Funds From Operations,” in this Annual Report on Form 10-K for a reconciliation to net income and a discussion of why

we believe FFO is a useful supplemental measure of operating performance, ways in which investors might use FFO when assessing our financial performance, and FFO's limitations as a measurement tool.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the sections of this Annual Report on Form 10-K entitled "Risk Factors," "Forward-Looking Statements," "Business" and our audited consolidated financial statements and the related notes thereto included elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements reflecting current expectations that involve risks and uncertainties. Actual results and the timing of events may differ materially from those contained in these forward-looking statements due to a number of factors, including those discussed in the section entitled "Risk Factors" and elsewhere in this Annual Report on Form 10-K.

Company Overview

Rexford Industrial Realty, Inc. is a self-administered and self-managed full-service REIT focused on owning and operating industrial properties in Southern California infill markets. We were formed as a Maryland corporation on January 18, 2013 and Rexford Industrial Realty, L.P. (the "Operating Partnership"), of which we are the sole general partner, was formed as a Maryland limited partnership on January 18, 2013. Through our controlling interest in our Operating Partnership and its subsidiaries, we own, manage, lease, acquire and develop industrial real estate primarily located in Southern California infill markets, and from time to time, acquire or provide mortgage debt secured by industrial property. We are organized and conduct our operations to qualify as a REIT under the Code, and generally are not subject to federal taxes on our income to the extent we distribute our income to our shareholders and maintain our qualification as a REIT.

As of December 31, 2016, our consolidated portfolio consisted of 136 properties with approximately 15.0 million rentable square feet. In addition, we currently manage an additional 19 properties with approximately 1.2 million rentable square feet.

Our goal is to generate attractive risk-adjusted returns for our stockholders by providing superior access to industrial property investments and mortgage debt secured by industrial property in Southern California infill markets. Our target markets provide us with opportunities to acquire both stabilized properties generating favorable cash flow, as well as properties where we can enhance returns through value-add renovations and redevelopment. Scarcity of available space and high barriers limiting new construction of for-lease product all contribute to create superior long-term supply/demand fundamentals within our target infill Southern California industrial property markets. With our vertically integrated platform and extensive value-add investment and management capabilities, we believe we are in a position to capitalize upon the opportunities in our markets to achieve our objectives.

Highlights

Acquisitions

During 2016, we acquired 20 properties, aggregating 3.4 million square feet, for an aggregate cost of \$371.7 million, of which four properties aggregating 0.8 million square feet were considered value-add acquisitions.

Repositioning

During 2016, we leased-up four of our value-add repositioning properties located at 2610 & 2701 Birch Street, 24105 Frampton Avenue, 12247 Lakeland Road and 15140 & 15148 Bledsoe Street. As of December 31, 2016, three of our repositioning properties are in the lease-up phase.

Dispositions

During 2016, we completed the sale of five of our properties with a combined 310,871 rentable square feet, for a total gross sales price of \$40.7 million. The net cash proceeds, which totaled \$38.5 million, were reinvested as part of three separate 1031 Exchange transactions.

Equity

In April 2016, we completed a public follow-on offering of 10,350,000 shares of our common stock, including the underwriters exercise in full of its option to purchase 1,350,000 shares of our common stock, at an offering price of \$17.65 per share, for net proceeds of approximately \$174.4 million after deducting the underwriters' discount and offering costs.

In August 2016, we completed a public offering of 3,600,000 shares of our 5.875% Series A Cumulative Redeemable Preferred Stock at a price of \$25.00 per share, for net proceeds of approximately \$86.7 million after deducting the

underwriters' discount and offering costs.

50

During December 2016, we sold a total of 571,368 shares of our common stock under our ATM Program, of which 168,685 shares were settled in January 2017, for gross proceeds of \$13.2 million, or approximately \$23.14 per share, and net proceeds of approximately \$13.0 million after deducting the sales agents' fee.

Financing

In January 2016, we closed on a seven-year \$125 million unsecured term loan facility that will mature in January 2023. The term loan facility bears interest at LIBOR plus an applicable Eurodollar rate margin that will range from 1.50% to 2.25% per annum depending on our leverage ratio.

In February 2016, we executed a forward interest swap that will effectively fix the \$125 million unsecured term loan facility at 1.349% plus an applicable margin from February 14, 2018, to January 14, 2022.

- In April 2016, we exercised the accordion that was available to us under the \$125 million unsecured term loan facility and established a new incremental term loan in an aggregate principal amount of \$100 million.

In May 2016, we executed a forward interest swap that will effectively fix the incremental \$100 million term loan at 1.406% plus an applicable margin from August 14, 2018, to January 14, 2022.

In February 2017, we entered into an agreement for a \$450 million senior unsecured credit facility, comprised of a \$350 million unsecured revolving credit facility that will mature in February 2021, with two six-month extensions available, and a \$100 million unsecured term loan facility that will mature in February 2022. Borrowings under the \$350 million unsecured revolving credit facility bear interest at LIBOR plus an applicable margin that will range from 1.10% to 1.50% per annum depending on our leverage ratio, and the \$100 million unsecured term loan facility bears interest at LIBOR plus an applicable margin that will range from 1.20% to 1.70% per annum depending on our leverage ratio.

Factors That May Influence Future Results of Operations

Market Fundamentals

Our operating results depend upon the infill Southern California industrial real estate market.

The infill Southern California industrial real estate sector has continued to exhibit strong fundamentals. Available industrial supply continues to decrease in many of our target infill submarkets, landlord concessions are reducing and construction deliveries are falling short of demand. Meanwhile, underlying tenant demand within our infill markets continues to demonstrate growth, illustrated or driven by strong re-leasing spreads, an expanding regional population, substantial growth in e-commerce transaction and delivery volumes as well as further compression of delivery time-frames. Even with concerns about global growth, potential changes to trade and tariff policies and the threat of rising interest rates, we are seeing a number of positive trends in some of our key markets that we expect will continue into the upcoming year.

In Los Angeles County, we saw positive market trends in 2016, as record high occupancy levels continued year-over-year, and asking lease rates increased at a stable pace during 2016. We expect that rents will continue to improve through 2017, as occupancy is at near capacity levels and new development is limited by a lack of land availability and an increase in land and development costs.

In Orange County, rents continued their upward trend during 2016 and vacancy slightly declined year-over-year. We expect that the low availability of industrial product in this region, primarily due to re-zoning of available land to residential or mixed-use, will cause leasing rates to continue to grow through 2017.

In San Diego, the market fundamentals continued to be strong during 2016, as asking lease rates increased to a record high and overall vacancy in the market decreased to an all-time low.

In Ventura County, there was a slight increase in vacancy and a slight decrease in asking lease rates year-over-year.

Lastly, in the Inland Empire, new industrial product continues to be absorbed well in the market. In the Inland Empire West, which contains infill markets in which we operate, vacancy remained low and asking lease rates increased significantly year-over-year. We expect the outlook for the Inland Empire West to remain positive over the upcoming year. We generally do not focus on properties located within the non-infill Inland Empire East sub-market.

Acquisitions and Development of Properties

A key component of our growth strategy is to acquire properties through off-market and lightly marketed transactions that are often operating at below-market occupancy or below-market rent at the time of acquisition or that have

near-term lease

51

roll-over or that provide opportunities to add-value through functional or physical repositioning and improvements. Through various redevelopment, repositioning, and professional leasing and marketing strategies, we seek to increase the properties' functionality and attractiveness to prospective tenants and, over time, to stabilize the properties at occupancy and lease rates that meet or exceed market rates.

A repositioning can consist of a range of improvements to a property. This may include a complete structural renovation of a property whereby we convert large underutilized spaces into a series of smaller and more functional spaces, or it may include the creation of additional square footage, the modernization of the property site, the elimination of functional obsolescence, the addition or enhancement of loading areas and truck access, the enhancement or fire-life-safety systems or other accretive improvements. Because each repositioning effort is unique and determined based on the property, targeted tenants and overall trends in the general market and specific submarket, the timing and effect of the repositioning on our rental revenue and occupancy levels will vary, and, as a result, will affect the comparison of our results of operations from period to period with limited predictability.

As of December 31, 2016, four of our properties were in various stages of repositioning and three of our properties were in the lease-up stage. In addition, we anticipate beginning repositioning work on five additional properties during 2017. The table below sets forth a summary of these properties, as well as the four repositioning properties that were completed and fully leased during 2016. In addition to the properties in the table below, we also have a range of smaller spaces in value-add repositioning or renovation, that due to their smaller size, are not presented below, however, in the aggregate, may be substantial.

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Property (Submarket)	Market	Total Property Rentable Square Feet	Vacant Rentable Square Feet Under Repositioning/Lease-up Stage	Acquisition Date	Estimated Construction Period		Occupancy at 12/31/16
					Start	Completion ⁽¹⁾	
Current Repositioning:							
2535 Midway Drive (Central SD)	SD	373,744	373,744	10/22/2015	4Q-2015	3Q-2018	—%
14750 Nelson Avenue (San Gabriel Valley) ⁽²⁾	LA	147,360	147,360	9/8/2016	3Q-2016	1Q-2018	—%
301-445 Figueroa Street (South Bay)	LA	133,925	49,346	11/4/2016	4Q-2016	3Q-2017	63.2%
228th Street (South Bay) ⁽³⁾	LA	89,236	23,749	2/25/2014	1Q-2016	2Q-2017	66.5%
Total		744,265	594,199				
Lease-up Stage:							
1601 Alton Parkway (OC Airport) ⁽⁴⁾	OC	124,000	14,000	6/27/2014	4Q-2014	1Q-2017	88.7%
9401 De Soto Avenue (San Fernando Valley)	LA	150,831	150,831	3/18/2015	2Q-2015	1Q-2016	—%
679-691 S. Anderson Street (Central LA)	LA	47,490	35,617	11/24/2014	1Q-2016	3Q-2016	25.0%
Total		322,321	200,448				
Total Current Repositioning and Lease-up Stage:		1,066,586	794,647				
Future Repositioning:							
9615 Norwalk Boulevard (Mid-Counties) ⁽⁵⁾	LA	38,362	—	4/30/2015	2Q-2017	2Q-2018	100.0%
12131 Western Avenue (West OC) ⁽⁶⁾	OC	207,953	—	4/15/2016	1Q-2017	2Q-2017	100.0%
3880 Valley Boulevard (San Gabriel Valley)	LA	108,703	—	6/27/2014	1Q-2017	3Q-2017	100.0%
18118 S. Broadway Street (South Bay) ⁽⁷⁾	LA	78,183	—	4/4/2013	1Q-2017	3Q-2017	100.0%
3233 Mission Oaks Boulevard (Ventura) ⁽⁸⁾	VC	455,864	—	7/6/2016	2Q-2017	1Q-2018	80.3%
Total		889,065	—				
Total Current Repositioning, Lease-up Stage and Future Repositioning		1,955,651	794,647				
Completed and Leased-up:							
2610 & 2701 S. Birch Street (OC Airport)	OC	98,379	—	6/5/2014	N/A	N/A	100.0%
	LA	49,841	—	3/20/2014	N/A	N/A	100.0%

24105 Frampton Avenue (South Bay)							
12247 Lakeland Road (Mid-Counties)	LA	24,875	—	12/16/2015	N/A	N/A	100.0%
15140 & 15148 Bledsoe Street (San Fernando Valley)	LA	134,030	—	10/25/2004	N/A	N/A	100.0%
Total		307,125	—				

- (1) The estimated construction completion period is subject to change as a result of a number of factors including but not limited to permit requirements, delays in construction, changes in scope, and other unforeseen circumstances. The total property rentable square feet in the table above reflects the square footage of the existing building that
- (2) was acquired. Upon completion of the project, the property will be approximately 200,000 square feet, which reflects an increase in square footage from the construction of two additional buildings on the excess land.

- (3) The property located at 228th Street includes eight buildings, of which three buildings aggregating 23,749 rentable square feet were under repositioning as of December 31, 2016.
- During the year ended December 31, 2016, we completed construction and leased-up three units totaling 60,667
- (4) rentable square feet. We expect to complete construction and lease-up the remaining 14,000 rentable square foot unit during 1Q-2017.
- 9615 Norwalk has 10.26 acres of partially paved storage yard/industrial land that is currently under a
- (5) month-to-month lease. We plan to construct a new building with approximately 200,000 rentable square feet after the month-to-month lease terminates.
- On December 31, 2016, the full building lease held by Money Mailer Holding Corporation expired, and we subsequently began our repositioning of this building. Subsequent to December 31, 2016, we entered into a
- (6) short-term lease with a tenant who will occupy approximately 100,000 rentable square feet during the construction period. This tenant is required to relocate within the building throughout construction so that we can complete our repositioning of the building. We have the right to terminate this short-term lease to coincide with the future leasing of the repositioned building.
- (7) The property located at 18118-18120 S. Broadway includes three buildings. We plan to reposition one building with 18,033 rentable square feet when the current tenant vacates in 1Q-2017.
- (8) We plan to reposition 107,965 rentable square feet of warehouse space at this property when the current tenant vacates in 2Q-2017.

Properties that are nonoperational as a result of repositioning or redevelopment activity may qualify for varying levels of interest, insurance and real estate tax capitalization during the development and construction period. An increase in our repositioning and development activities resulting from value-add acquisitions could cause an increase in the asset balances qualifying for interest, insurance and tax capitalization in future periods. We capitalized \$1.7 million of interest expense and \$0.8 million of insurance and real estate tax expense during the year ended December 31, 2016, related to our repositioning and redevelopment projects.

Rental Revenue

Our operating results depend primarily upon generating rental revenue from the properties in our consolidated portfolio. The amount of rental revenue generated by these properties is affected by our ability to maintain or increase occupancy levels and rental rates at our properties, which will depend upon our ability to lease vacant space and re-lease expiring space at favorable rates.

Occupancy Rates

As of December 31, 2016, our consolidated portfolio was 91.7% occupied. We believe the opportunity to increase occupancy at our properties will be an important driver of future revenue growth. An opportunity to drive this growth will derive from the lease-up of recently completed repositioning projects and the completion and lease-up of repositioning projects that are currently under construction and planned for near-term construction.

As summarized in the table above, as of December 31, 2016, seven of our properties with a combined 0.8 million vacant rentable square feet, were currently in various stages of redevelopment, repositioning or lease-up. These seven properties are concentrated in our Los Angeles, Orange County and San Diego markets, and represent 5.3% of our total consolidated portfolio square footage as of December 31, 2016. Including vacant repositioning space and lease-up space at these seven properties, our weighted average occupancy rate as of December 31, 2016, in Los Angeles, Orange County and San Diego was 92.1%, 96.1% and 81.0%, respectively. Excluding vacant repositioning space and lease-up space at these seven properties, our weighted average occupancy rate as of December 31, 2016, in these markets was 97.9%, 96.7% and 97.3%, respectively, and our overall portfolio occupancy excluding these properties was 96.8%. We believe that a significant portion of our long-term future growth will come from the completion of these projects currently under or scheduled for repositioning, as well as through the identification or acquisition of new opportunities for redevelopment and repositioning, whether in our existing portfolio or through new investments, which may vary from period to period subject to market conditions.

The occupancy rate of properties not undergoing repositioning is affected by regional and local economic conditions in our Southern California infill markets. Throughout 2016, the Los Angeles, Orange and San Diego county markets have continued to show historically low vacancy and positive absorption, resulting from high tenant demand combined with low product availability. Accordingly, our properties in these markets have exhibited a similar trend. We expect general market conditions to remain positive in 2017, and we believe the opportunity to increase occupancy and rental rates at our properties will be an important driver of future revenue growth.

Leasing Activity and Rental Rates

The following tables set forth our leasing activity for new and renewal leases on a quarterly basis for the year ended December 31, 2016:

Quarter	New Leases				GAAP Leasing Spreads ⁽²⁾⁽⁴⁾	Cash Leasing Spreads ⁽³⁾⁽⁴⁾	Expiring Leases	Retention %
	Number of Leases	Rentable Square Feet	Weighted Average Lease Term (in years)	Effective Rent Per Square Foot ⁽¹⁾				
Q1-2016	46	248,520	4.6	\$ 10.77	28.8 %	15.0 %		
Q2-2016	65	476,858	4.1	\$ 9.52	29.1 %	14.8 %		
Q3-2016	59	519,212	4.3	\$ 9.54	17.6 %	10.7 %		
Q4-2016	48	401,081	4.2	\$ 9.44	18.0 %	9.0 %		
Total/Weighted Average	218	1,645,671	4.3	\$ 9.70	23.9 %	12.8 %		

Quarter	Renewals				GAAP Leasing Spreads ⁽²⁾⁽⁵⁾	Cash Leasing Spreads ⁽³⁾⁽⁵⁾	Number of Leases	Rentable Square Feet	Retention %
	Number of Leases	Rentable Square Feet	Weighted Average Lease Term (in years)	Effective Rent Per Square Foot ⁽¹⁾					
Q1-2016	80	712,771	3.0	\$ 9.01	11.7 %	4.4 %	130	1,071,075	66.5 %
Q2-2016	78	598,301	4.7	\$ 9.99	20.7 %	9.0 %	129	936,655	63.9 %
Q3-2016	75	318,179	3.0	\$ 10.43	14.4 %	4.9 %	130	619,461	51.4 %
Q4-2016	50	363,601	3.1	\$ 8.95	15.5 %	5.0 %	94	477,966	76.1 %
Total/Weighted Average	283	1,992,852	3.5	\$ 9.52	15.3 %	5.9 %	483	3,105,157	64.2 %

Effective rent per square foot is the average base rent calculated in accordance with GAAP, over the term of the (1) lease, expressed in dollars per square foot per year. Includes all new and renewal leases executed during each respective quarter.

(2) Calculated as the change between GAAP rents for new or renewal leases and the expiring GAAP rents on the expiring leases for the same space.

(3) Calculated as the change between cash rents for new or renewal leases and the expiring cash rents on the expiring leases for the same space.

The GAAP and cash re-leasing spreads for new leases executed during the year ended December 31, 2016, exclude 82 leases aggregating 1,057,003 rentable square feet for which space was vacant when the property was acquired or there was no comparable lease data. Comparable leases generally exclude: (i) space that has never been (4) occupied under our ownership, (ii) recently repositioned/redeveloped space, (iii) space that has been vacant for over one year, (iv) space with different lease structures (for example a change from a gross lease to a modified gross lease or an increase or decrease in the leased square footage) or (v) space with lease terms shorter than six months.

The GAAP and cash re-leasing rent spreads for renewal leases executed during the year ended December 31, 2016, (5) exclude 36 leases aggregating 252,872 rentable square feet for which there was no comparable lease data due to either (i) space with different lease structures or (ii) space with lease terms shorter than six months.

Our leasing activity is impacted both by our redevelopment and repositioning efforts, as well as by market conditions. While we reposition a property, its space may become unavailable for leasing until completion of our repositioning efforts. During the year ended December 31, 2016, we completed repositioning at five of our properties located at 9401 De Soto Avenue, 679-691 S. Anderson Street, 24105 Frampton Avenue, 12247 Lakeland Road and 15140 &

15148 Bledsoe Street, and at the end of 2015, we completed repositioning at our property located at 2610 & 2701 S. Birch Street. As of December 31, 2016, our properties located at 9401 De Soto Avenue and 679-691 S. Anderson Street were in the lease-up stage. We also have one

repositioning property located at 1601 Alton Parkway, with a construction completion period estimated for the first quarter of 2017, and four additional current repositioning properties with estimated construction completion periods ranging from mid-2017 to mid-2018. We expect these properties to have positive impacts on our leasing activity and revenue generation as we complete our value-add repositioning plans and place these properties in service.

Scheduled Lease Expirations

Our ability to re-lease space subject to expiring leases is affected by economic and competitive conditions in our markets and by the desirability of our individual properties, which may impact our results of operations.

As of December 31, 2016, 1.2 million rentable square feet of our portfolio was available for lease and leases representing 0.7 million rentable square feet of our portfolio expired on December 31, 2016, including a full building lease for 207,953 rentable square feet held by one of our top tenants (Money Mailer Holding Corporation located at 12131 Western Avenue) and a second full building lease for 108,703 rentable square feet located at 3880 Valley Boulevard. Subsequent to December 31, 2016, we began our repositioning of these two buildings.

Leases representing 16.3% and 12.6% of the aggregate rentable square footage of our portfolio are scheduled to expire during the years ending December 31, 2017 and 2018, respectively. During the year ended December 31, 2016, we renewed 283 leases, or 58.6% of the number of leases scheduled to expire, which represented 64.2% of the aggregate rentable square footage under all expiring leases. Our retention rate during the year was impacted by our strategy to roll certain tenants at recessionary rents and to replace them with higher quality tenants paying higher rents. New and renewal leases signed during the current year had a weighted average term of 4.3 and 3.5 years, respectively, and we expect future new and renewal leases to have similar terms.

The leases scheduled to expire during the years ending December 31, 2017 and 2018, represent 17.8% and 14.5%, respectively, of the total annualized base rent for our portfolio as of December 31, 2016. We estimate that, on a weighted average basis, in-place rents of leases scheduled to expire in 2017 and 2018 are currently below current market asking rents, although individual units or properties within any particular submarket presently may be leased either above, below, or at the current market asking rates within that submarket. Over the last few years, rental rates for comparable product in our submarkets have generally been rising. This positive trend offers a favorable environment for additional increases in lease renewal rates. Accordingly, we expect 2017 will show positive renewal rates and leasing spreads. We also currently do not see any reason not to expect that 2018 lease expirations will show positive growth upon renewal; however, it is difficult to predict market conditions that far into the future.

Conditions in Our Markets

The properties in our portfolio are located primarily in Southern California infill markets. Positive or negative changes in economic or other conditions, adverse weather conditions and natural disasters in this market may affect our overall performance.

Property Expenses

Our rental expenses generally consist of utilities, real estate taxes, insurance, site repair and maintenance costs, and the allocation of overhead costs. For the majority of our properties, our property expenses are recovered, in part, by either the triple net provisions or modified gross expense reimbursements in tenant leases. The majority of our leases also comprise contractual three percent annual rental rate increases meant, in part, to help mitigate potential increases in property expenses over time. However, the terms of our leases vary and in some instances we may absorb property expenses. Our overall financial results will be impacted by the extent to which we are able to pass-through property expenses to our tenants.

Taxable REIT Subsidiary

As of December 31, 2016, our Operating Partnership indirectly and wholly owns Rexford Industrial Realty and Management, Inc., which we refer to as the services company. We have elected, together with our services company, to treat our services company as a taxable REIT subsidiary for federal income tax purposes. A taxable REIT subsidiary generally may provide non-customary and other services to our tenants and engage in activities that we may not engage in directly without adversely affecting our qualification as a REIT, provided a taxable REIT subsidiary may not operate or manage a lodging facility or health care facility or provide rights to any brand name under which any lodging facility or health care facility is operated. We may form additional taxable REIT subsidiaries in the future, and our Operating Partnership may contribute some or all of its interests in certain wholly owned

subsidiaries or their assets to our services company. Any income earned by our taxable REIT subsidiaries will not be included in our taxable income for purposes of the 75% or 95% gross income tests, except to the extent such income is distributed to us as a dividend, in which case such dividend income will qualify under the 95%, but not the 75%, gross income test. Because a taxable REIT subsidiary is subject to federal income tax, and state and local income tax (where applicable) as a

regular corporation, the income earned by our taxable REIT subsidiaries generally will be subject to an additional level of tax as compared to the income earned by our other subsidiaries. Our taxable REIT subsidiary is a C-corporation subject to federal and state income tax, however it has a cumulative unrecognized net operation loss carryforward and therefore there is no income tax provision for the years ended December 31, 2016 and 2015.

Critical Accounting Policies

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions in certain circumstances that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses for the reporting periods. Actual amounts may differ from these estimates and assumptions. We have summarized below those accounting policies that require material subjective or complex judgments and that have the most significant impact on financial condition and results of operations. Management evaluates these estimates on an ongoing basis, based upon information currently available and on various assumptions that it believes are reasonable as of the date hereof. In addition, other companies in similar businesses may use different estimation policies and methodologies, which may impact the comparability of our results of operations and financial condition to those of other companies.

A critical accounting policy is one that is both important to the portrayal of an entity's financial condition and results of operations and requires judgment on the part of management. Generally, the judgment requires management to make estimates and assumptions about the effect of matters that are inherently uncertain. Estimates are prepared using management's best judgment, after considering past and current economic conditions and expectations for the future. Changes in estimates could affect our financial position and specific items in our results of operations that are used by the users of our financial statements in their evaluation of our performance.

The following critical accounting policies discussion reflects what we believe are the most significant estimates, assumptions, and judgments used in the preparation of our consolidated financial statements. For further discussion of our significant accounting policies, see Note 2 "Summary of Significant Accounting Policies" to our consolidated financial statements under Item 15 of this report on Form 10-K.

Investment in Real Estate

Acquisitions

When we acquire operating properties with the intention to hold the investment for the long-term, and such acquisitions meet the accounting criteria to be accounted for as business combinations, we allocate the purchase price to the various components of the acquisition based upon the fair value of each component. The components typically include land, building and improvements, tenant improvements, intangible assets related to above and below market leases, intangible assets related to in-place leases, debt and other assumed assets and liabilities. Because of the timing or complexity of completing certain fair value adjustments, the initial purchase price allocation may be incomplete at the end of a reporting period, in which case we may record provisional purchase price allocation amounts based on information available at the acquisition date. Subsequent adjustments to provisional amounts are recognized during the measurement period, which cannot exceed one year from the date of acquisition.

We allocate the purchase price to the fair value of the tangible assets of a property by valuing the property as if it were vacant. This "as-if vacant" value is estimated using an income, or discounted cash flow approach that relies upon Level 3 inputs, which are unobservable inputs based on our assumptions about the assumptions a market participant would use. These Level 3 inputs include discount rates, capitalization rates, market rents and comparable sales data for similar properties. Estimates of future cash flows are based on a number of factors including historical operating results, known and anticipated trends, and market and economic conditions. In calculating the "as-if-vacant" value for acquisitions completed during the year ended December 31, 2016, we used discount rates ranging from 6.00% and 8.50% and capitalization rates ranging from 5.25% to 7.50%.

In determining the fair value of intangible lease assets or liabilities, we also consider Level 3 inputs. Acquired above- and below-market leases are valued based on the present value of the difference between prevailing market rates and the in-place rates measured over a period equal to the remaining term of the lease for above-market leases and the initial term plus the term of any below-market fixed rate renewal options for below-market leases, if applicable. The estimated fair value of acquired in-place at-market tenant leases are the costs that would have been incurred to lease the property to the occupancy level of the property at the date of acquisition. Such estimates include the value

associated with leasing commissions, legal and other costs, as well as the estimated period necessary to lease such property that would be incurred to lease the property to its occupancy level at the time of its acquisition. In determining the fair value for acquisitions completed during the year ended December 31, 2016, we used an estimated average lease-up period ranging from six to twelve months. Acquisition costs associated with business combinations are expensed in the period they are incurred.

The difference between the fair value and the face value of debt assumed in connection with an acquisition is recorded as a premium or discount and amortized to “interest expense” over the life of the debt assumed. The valuation of assumed liabilities is based on our estimate of the current market rates for similar liabilities in effect at the acquisition date.

For acquisitions that do not meet the accounting criteria to be accounted for as a business combination, we allocate the cost of the acquisition, which includes any associated acquisition costs, to the individual assets (typically land and building) and liabilities assumed on a relative fair value basis. We capitalized total acquisition costs of \$0.2 million, \$0.7 million and \$0.3 million during the years ended December 31, 2016, 2015 and 2014, respectively.

Capitalization of Costs

We capitalize direct costs incurred in developing, renovating, rehabilitating and improving real estate assets as part of the investment basis. This includes certain general and administrative costs, including payroll, bonus, and non-cash equity compensation of the personnel performing development, renovations and rehabilitation if such costs are identifiable to a specific activity to get the real estate asset ready for its intended use. During the development and construction periods of a project, we also capitalize interest, real estate taxes and insurance costs. We cease capitalization of costs upon substantial completion of the project, but no later than one year from cessation of major construction activity. If some portions of a project are substantially complete and ready for use and other portions have not yet reached that stage, we cease capitalizing costs on the completed portion of the project but continue to capitalize for the incomplete portion of the project. Costs incurred in making repairs and maintaining real estate assets are expensed as incurred.

We capitalized interest costs of \$1.7 million, \$0.8 million and \$42 thousand during the years ended December 31, 2016, 2015 and 2014, respectively. We capitalized real estate taxes and insurance aggregating \$0.8 million, \$0.8 million and \$0.1 million during the years ended December 31, 2016, 2015 and 2014, respectively. We capitalized compensation costs for employees who provide construction services of \$1.0 million, \$0.9 million and \$0.6 million during the years ended December 31, 2016, 2015 and 2014, respectively.

Impairment of Long-Lived Assets

In accordance with the provisions of the Impairment or Disposal of Long-Lived Assets Subsections of ASC Topic 360: Property, Plant, and Equipment, we assess the carrying values of our respective long-lived assets, including goodwill, whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be fully recoverable.

Recoverability of real estate assets is measured by comparison of the carrying amount of the asset to the estimated future undiscounted cash flows. To review real estate assets for recoverability, we consider current market conditions as well as our intent with respect to holding or disposing of the asset. The intent with regards to the underlying assets might change as market conditions and other factors change. Fair value is determined through various valuation techniques, including discounted cash flow models, applying a capitalization rate to estimated net operating income of a property, quoted market values and third party appraisals, where considered necessary. The use of projected future cash flows is based on assumptions that are consistent with estimates of future expectations and the strategic plan used to manage our underlying business. If our analysis indicates that the carrying value of the real estate asset is not recoverable on an undiscounted cash flow basis, we will recognize an impairment charge for the amount by which the carrying value exceeds the current estimated fair value of the real estate property.

Assumptions and estimates used in the recoverability analyses for future cash flows, discount rates and capitalization rates are complex and subjective. Changes in economic and operating conditions or our intent with respect to our investment that occur subsequent to our impairment analyses could impact these assumptions and result in future impairment of our real estate properties.

Revenue Recognition

We recognize revenue from rent, tenant reimbursements and other revenue sources once all of the following criteria are met: persuasive evidence that an arrangement exists, the delivery has occurred or services rendered, the fee is fixed and determinable and collectability is reasonably assured. Minimum annual rental revenues are recognized in rental revenues on a straight-line basis over the term of the related lease. Rental revenue recognition commences when the tenant takes possession or controls the physical use of the leased space.

Estimated reimbursements from tenants for real estate taxes, common area maintenance and other recoverable operating expenses are recognized as revenues in the period that the recoverable expenses are incurred. Subsequent to year-end, we perform final reconciliations on a lease-by-lease basis and bill or credit each tenant for any cumulative annual adjustments. Lease

58

termination fees, which are included in rental revenues in the accompanying consolidated statements of operations, are recognized when the related lease is canceled and we have no continuing obligation to provide services to such former tenant.

Revenues from management, leasing and development services are recognized when the related services have been provided and earned.

The recognition of gains on sales of real estate requires us to measure the timing of a sale against various criteria related to the terms of the transaction, as well as any continuing involvement in the form of management or financial assistance associated with the property. If the sales criteria are not met, we defer gain recognition and account for the continued operations of the property by applying the finance, profit-sharing or leasing method. If the sales criteria have been met, we further analyze whether profit recognition is appropriate using the full accrual method. If the criteria to recognize profit using the full accrual method have not been met, we defer the gain and recognize it when the criteria are met or use the installment or cost recovery method as appropriate under the circumstances.

Valuation of Receivables

We are subject to tenant defaults and bankruptcies that could affect the collection of outstanding receivables. In order to mitigate these risks, we perform credit reviews and analyses on prospective tenants before significant leases are executed and on existing tenants before properties are acquired. We specifically analyze aged receivables, customer credit-worthiness, historical bad debts and current economic trends when evaluating the adequacy of the allowance for doubtful accounts. As a result of our periodic analysis, we maintain an allowance for estimated losses that may result from the inability of our tenants to make required payments. This estimate requires significant judgment related to the lessees' ability to fulfill their obligations under the leases. We believe our allowance for doubtful accounts is adequate for our outstanding receivables for the periods presented. If a tenant is insolvent or files for bankruptcy protection and fails to make contractual payments beyond any allowance, we may recognize additional bad debt expense in future periods equal to the net outstanding balances, which include amounts recognized as straight-line revenue not realizable until future periods.

Results of Operations

Our consolidated results of operations are often not comparable from period to period due to the effect of property acquisitions and dispositions completed during the comparative reporting periods. Our "Total Portfolio" represents all of the properties owned during the reported periods. To eliminate the effect of changes in our Total Portfolio due to acquisitions and dispositions and to highlight the operating results of our on-going business, we have separately presented the results of our "Same Properties Portfolio."

Comparison of the Year Ended December 31, 2016 to the Year Ended December 31, 2015

For the comparison of the years ended December 31, 2016 and 2015, our Same Properties Portfolio includes all properties in our industrial portfolio that were wholly-owned by us as of January 1, 2015, and still owned by us as of December 31, 2016, which consisted of 95 properties aggregating approximately 9.5 million rentable square feet. Results for our Same Properties Portfolio exclude our joint venture property, any properties that were acquired or sold during 2016 and 2015, interest income from our note receivable, interest expense and corporate general and administrative expenses. For the comparison of the years ended December 31, 2016 and 2015, our Total Portfolio includes the properties in our Same Properties Portfolio, the 41 properties aggregating approximately 5.5 million rentable square feet that were acquired during 2015 and 2016, and the five properties aggregating approximately 0.3 million rentable square feet that were sold during 2016.

As of December 31, 2016 and 2015, our Same Properties Portfolio occupancy was approximately 96.1% and 93.0%, respectively. For the years ended December 31, 2016 and 2015, our Same Properties Portfolio weighted average occupancy was approximately 93.4% and 90.7%, respectively.

	Same Properties Portfolio					Total Portfolio						
	Year Ended December 31, 2016		2015		Increase/ (Decrease)	% Change	Year Ended December 31, 2016		2015		Increase/ (Decrease)	% Change
(\$ in thousands)												
RENTAL REVENUES												
Rental revenues	\$77,450	\$71,802	\$ 5,648	7.9	%	\$107,594	\$81,114	\$ 26,480	32.6	%		
Tenant reimbursements	10,352	9,668	684	7.1	%	16,723	10,479	6,244	59.6	%		
Other income	626	929	(303)	(32.6)	%	943	1,013	(70)	(6.9)	%		
TOTAL RENTAL REVENUES	88,428	82,399	6,029	7.3	%	125,260	92,606	32,654	35.3	%		
Management, leasing and development services	—	—	—	—	%	473	584	(111)	(19.0)	%		
Interest income	—	—	—	—	%	459	710	(251)	(35.4)	%		
TOTAL REVENUES	88,428	82,399	6,029	7.3	%	126,192	93,900	32,292	34.4	%		
EXPENSES												
Property expenses	23,734	22,488	1,246	5.5	%	33,619	25,000	8,619	34.5	%		
General and administrative	—	—	—	—	%	17,415	15,016	2,399	16.0	%		
Depreciation and amortization	33,611	36,570	(2,959)	(8.1)	%	51,407	41,837	9,570	22.9	%		
TOTAL OPERATING EXPENSES	57,345	59,058	(1,713)	(2.9)	%	102,441	81,853	20,588	25.2	%		
OTHER EXPENSE												
Acquisition expenses	—	—	—	—	%	1,855	2,136	(281)	(13.2)	%		
Interest expense	—	—	—	—	%	14,848	8,453	6,395	75.7	%		
TOTAL OTHER EXPENSE	—	—	—	—	%	16,703	10,589	6,114	57.7	%		
TOTAL EXPENSES	57,345	59,058	(1,713)	(2.9)	%	119,144	92,442	26,702	28.9	%		
Equity in income from unconsolidated real estate entities	—	—	—			1,451	93	1,358				
Gain from early repayment of note receivable	—	—	—			—	581	(581)				
Loss on extinguishment of debt	—	—	—			—	(182)	182				
Loss on sale of real estate	—	—	—			17,377	—	17,377				
NET INCOME	31,083	23,341	7,742			25,876	1,950	23,926				

Rental Revenue

Our Same Properties Portfolio and Total Portfolio rental revenue increased by \$5.6 million, or 7.9%, and \$26.5 million, or 32.6%, respectively, for the year ended December 31, 2016, compared to the year ended December 31, 2015. The increase in our Same Properties Portfolio is primarily due to the increase in our average occupancy for comparable periods and the increase in average rental rates on new and renewal leases. Our Total Portfolio rental revenue was also positively impacted by the revenues from the 41 properties we acquired during 2015 and 2016.

Tenant Reimbursements

Our Same Properties Portfolio and Total Portfolio tenant reimbursements revenue increased \$0.7 million, or 7.1%, and increased \$6.2 million or 59.6%, respectively, for the year ended December 31, 2016, compared to the year ended December 31, 2015. The increase in our Same Properties Portfolio tenant reimbursements is primarily due to the lease-up of completed triple net repositioning properties during 2015 and supplemental assessments of certain of our properties resulting in lower reimbursable real estate taxes during the year ended December 31, 2015. Our Total Portfolio tenant reimbursements revenue was also impacted by the incremental reimbursements from the 41 properties we acquired during 2015 and 2016.

Other Income

Our Same Properties Portfolio and Total Portfolio other income decreased by \$0.3 million, or 32.6%, and \$0.1 million, or 6.9%, respectively, for the year ended December 31, 2016, compared to the year ended December 31, 2015. The decrease in our Same Properties Portfolio other income is primarily due to a decrease in filming income at one of our properties and a decrease in late fee income and other miscellaneous tenant income. The decrease in our Total Portfolio income is primarily due to a decrease in miscellaneous tenant income.

Management, Leasing and Development Services

Our Total Portfolio management, leasing and development services revenue decreased by \$0.1 million, or 19.0%, for the year ended December 31, 2016, compared to the year ended December 31, 2015, primarily due to our acquisition of the property located at 3233 Mission Oaks Boulevard from our unconsolidated joint venture in July 2016. Prior to this acquisition, we earned fees and commissions for providing property and construction management services for the property.

Interest Income

Our Total Portfolio interest income decreased by \$0.3 million, or 35.4%, during the year ended December 31, 2016, compared to the year ended December 31, 2015. Interest income for the year ended December 31, 2016, relates to a \$6.0 million mortgage loan that we made on July 1, 2016, that is secured by an industrial property located in Rancho Cucamonga, California and that bears interest at 10.0% per annum. Interest income for the year ended December 31, 2015, relates to a mortgage note receivable that was repaid on August 21, 2015, ahead of its scheduled maturity. The mortgage note receivable was secured by an industrial property located at 32401-32803 Calle Perfecto (the "Calle Perfecto Note") and bore interest at 6.001% per annum.

Property Expenses

Our Same Properties Portfolio property expenses increased by \$1.2 million or 5.5%, for the year ended December 31, 2016, compared to the year ended December 31, 2015, primarily due to an increase in real estate tax expense and repairs and maintenance. The increase in real estate tax expense was due to supplemental assessments of certain of our properties resulting in lower real estate taxes during the year ended December 31, 2015, and a decrease in capitalized real estate taxes for properties under repositioning for comparable periods. Our Total Portfolio property expenses increased by \$8.6 million, or 34.5%, for the year ended December 31, 2016, compared to the year ended December 31, 2015, primarily as a result of the incremental expenses from the 41 properties we acquired during 2015 and 2016.

General and Administrative

Our Total Portfolio general and administrative expenses increased by \$2.4 million, or 16.0% for the year ended December 31, 2016, compared to the year ended December 31, 2015. The increase is primarily due to the following: (i) a \$2.0 million increase in non-cash equity compensation expense primarily due to equity grants made in December 2015, (ii) a \$0.9 million increase in bonus expense due to Company performance, (iii) a \$0.7 million increase in payroll and employment related costs primarily due to an increase in headcount, (iv) a \$0.4 million increase in other various corporate expenses and (v) a \$0.4 million increase in professional service and consulting fees. These increases were partially offset by the following: (i) a \$1.6 million decrease in legal fees, which includes a \$1.0 million insurance reimbursement of legal fees related to prior litigation received during the year ended December 31, 2016, and (ii) a \$0.5 million decrease in professional audit, Sarbanes-Oxley Act compliance and tax fees.

Depreciation and Amortization

Our Same Properties Portfolio depreciation and amortization expense decreased by \$3.0 million, or 8.1%, for the year ended December 31, 2016, compared to the year ended December 31, 2015, primarily due to acquired lease related intangible and tangible assets for several of our properties becoming fully depreciated during 2016 and 2015, partially offset by an increase in depreciation expense related to capital improvements. Our Total Portfolio depreciation and amortization expense increased \$9.6 million, or 22.9%, for the year ended December 31, 2016, compared to the year ended December 31, 2015, primarily due to incremental expense from the 41 properties we acquired during 2015 and 2016, and an increase in depreciation expense related to capital improvements, partially offset by the decrease in our Same Properties Portfolio depreciation and amortization expense noted above.

Acquisition Expenses

Our Total Portfolio acquisition expenses decreased by \$0.3 million, or 13.2%, for the year ended December 31, 2016, compared to the year ended December 31, 2015, primarily due to lower brokerage fees related to acquisitions completed during the current year.

Interest Expense

Our Total Portfolio interest expense increased by \$6.4 million, or 75.7%, for the year ended December 31, 2016, compared to the year ended December 31, 2015. The increase is primarily due to the following: (i) an increase in interest expense from the \$225 million term loan facility which was fully drawn upon in April 2016, (ii) the issuance of \$100 million of 4.29% fixed rate senior notes in August 2015 and subsequent repayment of two secured loans aggregating \$91.3 million with a weighted average interest rate of LIBOR plus 1.76% and (iii) the effect of four interest rate swaps, with an aggregate notional value of \$160 million, that became effective between January 2015 and February 2016. These increases were partially offset by the following: (i) higher capitalized interest resulting from an increase in construction activity related to our repositioning properties and (ii) a decrease in interest expense from the reduced usage of our unsecured revolving credit facility during 2016.

Equity in Income from Unconsolidated Real Estate Entities

On July 6, 2016, we acquired the remaining 85% ownership interest in the property located at 3233 Mission Oaks Boulevard from our unconsolidated joint venture (the "JV"). Prior to the acquisition, our ownership interest in the property was 15.0%. Equity in income from unconsolidated real estate entities includes our 15.0% equity interest in the operating results of the JV property prior to July 6, 2016, depreciation of basis adjustments related to the JV property and distributions received from the JV in connection with the sale of the property that exceeded the carrying value of our investment in the JV (the "excess distributions"). Our Total Portfolio equity in income from unconsolidated real estate entities increased by \$1.4 million for the year ended December 31, 2016, compared to the year ended December 31, 2015, primarily due to the excess distributions totaling \$1.9 million that we received from the JV, partially offset by the write-off of the \$0.6 million unamortized basis adjustment related to the JV property. For additional information, see Note 11 to our consolidated financial statements included in Item 15 of this Report on Form 10-K.

Gain from Early Repayment of Note Receivable

The gain from early repayment of note receivable of \$0.6 million for the year ended December 31, 2015, represents the recognition of the unamortized accretable yield related to the collection of the Calle Perfecto Note.

Loss on Extinguishment of Debt

During the year ended December 31, 2015, we repaid the \$48.5 million term loan secured by eight of our properties and the mortgage loan encumbering the property located at 2980-2990 San Fernando Road. The loss on extinguishment of debt of \$0.2 million represents the write-off of \$0.3 million of unamortized deferred loan costs related to the term loan, partially offset by the write-off of the \$0.1 million unamortized loan premium related to the mortgage loan. We repaid both loans in advance of the maturity date without incurring prepayment fees.

Gain on Sale of Real Estate

During the year ended December 31, 2016, we recognized a total gain of \$17.4 million from the disposition of five properties that were sold for an aggregate gross sales price of \$40.7 million.

Comparison of the Year Ended December 31, 2015 to the Year Ended December 31, 2014

For the comparison of the years ended December 31, 2015 and 2014, our Same Properties Portfolio includes all properties in our industrial portfolio that were wholly-owned by us as of January 1, 2014, and still owned by us as of December 31, 2015, which consisted of 62 properties aggregating approximately 6.1 million rentable square feet. Results for our Same Properties Portfolio exclude our JV properties, any properties that were acquired or sold during 2015 or 2014, interest income from our note receivable, and corporate general and administrative expenses. For the comparison of the years ended December 31, 2015 and 2014, our Total Portfolio includes the properties in our Same Properties Portfolio, the 57 properties aggregating approximately 5.9 million rentable square feet that were acquired during 2015 and 2014, and the three properties aggregating approximately 0.2 million rentable square feet that were sold during 2014.

As of December 31, 2015 and 2014, our Same Properties Portfolio occupancy was approximately 94.4% and 92.8%, respectively. For the years ended December 31, 2015 and 2014, our Same Properties Portfolio weighted average occupancy was approximately 93.2% and 91.0%, respectively.

	Same Properties Portfolio					Total Portfolio						
	Year Ended December 31, 2015		2014		Increase/ (Decrease)	% Change	Year Ended December 31, 2015		2014		Increase/ (Decrease)	% Change
RENTAL REVENUES												
Rental revenues	\$48,545	\$46,423	\$ 2,122	4.6	%	\$81,114	\$56,636	\$ 24,478	43.2	%		
Tenant reimbursements	5,976	6,106	(130)	(2.1)	%)	10,479	7,661	2,818	36.8	%		
Other income	600	282	318	112.8	%	1,013	307	706	230.0	%		
TOTAL RENTAL REVENUES	55,121	52,811	2,310	4.4	%	92,606	64,604	28,002	43.3	%		
Management, leasing and development services	—	—	—	—	%	584	860	(276)	(32.1)	%)		
Interest income	—	1	(1)	(100.0)	%)	710	1,117	(407)	(36.4)	%)		
TOTAL REVENUES	55,121	52,812	2,309	4.4	%	93,900	66,581	27,319	41.0	%		
EXPENSES												
Property expenses	14,950	15,162	(212)	(1.4)	%)	25,000	18,382	6,618	36.0	%		
General and administrative	—	—	—	—	%	15,016	12,144	2,872	23.6	%		
Depreciation and amortization	18,343	21,103	(2,760)	(13.1)	%)	41,837	28,608	13,229	46.2	%		
TOTAL OPERATING EXPENSES	33,293	36,265	(2,972)	(8.2)	%)	81,853	59,134	22,719	38.4	%		
OTHER EXPENSE												
Acquisition expenses	—	—	—	—	%	2,136	2,038	98	4.8	%		
Interest expense	549	1,062	(513)	(48.3)	%)	8,453	6,400	2,053	32.1	%		
TOTAL OTHER EXPENSE	549	1,062	(513)	(48.3)	%)	10,589	8,438	2,151	25.5	%		
TOTAL EXPENSES	33,842	37,327	(3,485)	(9.3)	%)	92,442	67,572	24,870	36.8	%		
Equity in income (loss) from unconsolidated real estate entities	—	—	—			93	(29)	122				
Gain from early repayment of note receivable	—	—	—			581	—	581				
Loss on extinguishment of debt	—	—	—			(182)	—	(182)				
Loss on sale of real estate	—	—	—			—	(150)	150				
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	21,279	15,485	5,794			1,950	(1,170)	3,120				
DISCONTINUED OPERATIONS												
Income from discontinued operations before gain on sale of real estate	—	—	—			—	21	(21)				
Gain on sale of real estate	—	—	—			—	2,125	(2,125)				
INCOME FROM DISCONTINUED OPERATIONS	—	—	—			—	2,146	(2,146)				
NET INCOME	\$21,279	\$15,485	\$ 5,794			\$1,950	\$976	\$ 974				

Rental Revenue

Our Same Properties Portfolio and Total Portfolio rental revenue increased by \$2.1 million, or 4.6%, and \$24.5 million, or 43.2%, respectively, for the year ended December 31, 2015, compared to the year ended December 31, 2014. The increase in our Same Properties Portfolio is primarily due to the increase in our average occupancy for comparable periods and the increase in average rental rates on new and renewal leases. Our Total Portfolio rental revenue was also positively impacted by the revenues from the 57 properties we acquired during 2014 and 2015.

Tenant Reimbursements

Our Same Properties Portfolio and Total Portfolio tenant reimbursements revenue decreased \$0.1 million, or 2.1%, and increased \$2.8 million or 36.8%, respectively, for the year ended December 31, 2015, compared to the year ended December 31, 2014. The decrease in our Same Properties Portfolio tenant reimbursements is directly related to the decrease in real estate taxes resulting from supplemental assessments of certain of our properties, as described below under property expenses, as well as lower reimbursements resulting from the completion of prior year recoverable expense reconciliations for comparable periods. Our Total Portfolio tenant reimbursements primarily increased due to the incremental reimbursements from the 57 properties we acquired during 2014 and 2015.

Other Income

Our Same Properties Portfolio and Total Portfolio other income increased by \$0.3 million, or 112.8%, and \$0.7 million, or 230.0%, respectively, for the year ended December 31, 2015, compared to the year ended December 31, 2014, primarily due to an increase in late fee income.

Management, Leasing and Development Services

Our Total Portfolio management, leasing and development services revenue decreased by \$0.3 million, or 32.1%, for the year ended December 31, 2015, compared to the year ended December 31, 2014. This was primarily due to lower management fees from the JV as a result of the sale of two of the three buildings owned by the JV in November 2014.

Interest Income

Our Total Portfolio interest income decreased by \$0.4 million, or 36.4%, during the year ended December 31, 2015, compared to the year ended December 31, 2014. On August 21, 2015, the borrower of the Calle Perfecto Note repaid the outstanding principal balance ahead of its schedule maturity. The decrease in interest income is a result of this early repayment.

Property Expenses

Our Same Properties Portfolio property expenses decreased by \$0.2 million or 1.4%, for the year ended December 31, 2015, compared to the year ended December 31, 2014, and as a percentage of total rental revenues decreased to 27.1% for the year ended December 31, 2015, from 28.7%, for the year ended December 31, 2014, primarily due to a decrease in recoverable expenses including utilities, repairs and maintenance, insurance, and real estate tax expense resulting from supplemental assessments of certain of our properties, partially offset by an increase in non-recoverable overhead costs. Our Total Portfolio property expenses increased by \$6.6 million, or 36.0%, for the year ended December 31, 2015, compared to the year ended December 31, 2014, primarily as a result of the incremental expenses from the 57 properties we acquired during 2014 and 2015.

General and Administrative

Our Total Portfolio general and administrative expenses increased by \$2.9 million, or 23.6% for the year ended December 31, 2015, compared to the year ended December 31, 2014. The increase is primarily due to the following: (i) a \$0.8 million increase in employee-related costs due to increased staffing levels from growth, (ii) a \$0.8 million increase in non-cash equity compensation expense primarily due to restricted stock grants made during 2014 and 2015, (iii) a \$0.7 million increase in professional audit, SOX compliance and tax fees, and (iv) a \$0.9 million increase in various overhead costs, including rent and other professional services fees. This increase was partially offset by a \$0.4 million decrease in legal fee expenses.

Depreciation and Amortization

Our Same Properties Portfolio depreciation and amortization expense decreased by \$2.8 million, or 13.1%, for the year ended December 31, 2015, compared to the year ended December 31, 2014, primarily due to acquired lease related intangible and tangible assets for several of our properties becoming fully depreciated during 2015 and 2014. Our Total Portfolio depreciation and amortization expense increased \$13.2 million, or 46.2%, for the year ended December 31, 2015 compared to the year ended December 31, 2014, primarily due to the 57 properties we acquired during 2014 and 2015.

Acquisition Expenses

Our Total Portfolio acquisition expenses increased by \$0.1 million, or 4.8%, for the year ended December 31, 2015, compared to the year ended December 31, 2014, primarily due to increased brokerage fees related to acquisitions completed during the current year.

Interest Expense

Our Same Properties Portfolio interest expense decreased by \$0.5 million, or 48.3%, for the year ended December 31, 2015, compared to the year ended December 31, 2014. The decrease was primarily due to the repayment of the outstanding mortgages encumbering the Glendale Commerce Center during August 2015 and the property located at 10700 Jersey Boulevard during October 2014. Our Total Portfolio interest expense increased by \$2.1 million, or 32.1%, for the year ended December 31, 2015, compared to the year ended December 31, 2014. This was primarily due to the increase in our weighted average interest rate resulting from the issuance of \$100 million of 4.29% fixed rate senior notes in August 2015 and the three interest rate swaps that were in effect during the year ended December 31, 2015, as well as the increase in our average outstanding debt balances. The increase was partially offset by the mortgage repayments noted above and an increase in capitalized interest due to increased construction activity on our repositioning properties during the year ended December 31, 2015, compared to the year ended December 31, 2014.

Equity in Income (Loss) from Unconsolidated Real Estate Entities

Equity in income (loss) from unconsolidated real estate entities includes our equity interests in the operating results of the properties held by our JV and basis adjustments related to these properties. In November 2014, the JV sold two of the three properties owned by the JV. Our Total Portfolio equity in income (loss) from unconsolidated real estate entities increased by \$0.1 million for the year ended December 31, 2015, compared to the year ended December 31, 2014, primarily as a result of the change in basis adjustments following the sale of these properties.

Gain from Early Repayment of Note Receivable

The gain from early repayment of note receivable of \$0.6 million for the year ended December 31, 2015, represents the recognition of the unamortized accretable yield related to the collection of the Calle Perfecto Note.

Loss on Extinguishment of Debt

During the year ended December 31, 2015, we repaid the \$48.5 million term loan secured by eight of our properties and the mortgage loan encumbering the property located at 2980-2990 San Fernando Road. The loss on extinguishment of debt of \$0.2 million represents the write-off of \$0.3 million of unamortized deferred loan costs related to the term loan, partially offset by the write-off of the \$0.1 million unamortized loan premium related to the mortgage loan. We repaid both loans in advance of the maturity date without incurring prepayment fees.

Loss on Sale of Real Estate

The loss on sale of real estate of \$0.2 million for the year ended December 31, 2014, relates to the disposition of our property located at 500-560 Zenith Drive, in Glenview, Illinois ("Zenith Drive"). We adopted ASU 2014-08: Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity ("ASU 2014-08"), beginning with the fiscal quarter ended September 30, 2014. Under ASU 2014-08, only disposals that represent a strategic shift that has (or will have) a major effect on the entity's results and operations would qualify as discontinued operations. The disposal of Zenith Drive did not meet the criteria to be classified in discontinued operations, and as such, the loss on sale of real estate is included in continuing operations.

Income From Discontinued Operations

Income from discontinued operations of \$2.1 million for the year ended December 31, 2014, is comprised primarily of the gain on sale of our property located at 1335 Park Center Drive, partially offset by the loss on sale of our property located at 2900 N. Madera Road.

Non-GAAP Supplemental Measure: Funds From Operations

We calculate funds from operations (“FFO”) attributable to common stockholders in accordance with the standards established by the National Association of Real Estate Investment Trusts (“NAREIT”). FFO represents net income (loss) (computed in accordance with accounting principles generally accepted in the United States (“GAAP”), excluding gains (or losses) from sales of depreciable operating property, impairment losses, real estate related depreciation and amortization (excluding amortization of deferred financing costs), and after adjustments for unconsolidated joint ventures.

Management uses FFO as a supplemental performance measure because, in excluding real estate related depreciation and amortization, gains and losses from property dispositions, and asset impairments, it provides a performance measure that, when compared year over year, captures trends in occupancy rates, rental rates and operating costs. We also believe that, as a widely recognized measure of performance used by other REITs, FFO may be used by investors as a basis to compare our operating performance with that of other REITs.

However, because FFO excludes depreciation and amortization and captures neither the changes in the value of our properties that result from use or market conditions nor the level of capital expenditures and leasing commissions necessary to maintain the operating performance of our properties, all of which have real economic effects and could materially impact our results from operations, the utility of FFO as a measure of our performance is limited. Other equity REITs may not calculate or interpret FFO in accordance with the NAREIT definition as we do, and, accordingly, our FFO may not be comparable to such other REITs’ FFO. FFO should not be used as a measure of our liquidity, and is not indicative of funds available for our cash needs, including our ability to pay dividends.

The following table sets forth a reconciliation of net income, the most directly comparable financial measure calculated and presented in accordance with GAAP, to FFO (in thousands):

	Year Ended December 31,		
	2016	2015	2014
Net income	\$25,876	\$1,950	\$976
Add:			
Depreciation and amortization, including amounts in discontinued operations	51,407	41,837	28,615
Depreciation and amortization from unconsolidated joint ventures ⁽¹⁾	10	57	357
Loss on sale of real estate	—	—	150
Deduct:			
Gain on sale of real estate, including amounts in discontinued operations	(17,377)	—	(2,125)
Gain on sale of real estate from unconsolidated joint venture ⁽²⁾	(1,332)	—	(3)
Funds from operations (FFO)	\$58,584	\$43,844	\$27,970
Less: preferred stock dividends	(1,983)	—	—
Less: FFO attributable to noncontrolling interest	(1,751)	(1,644)	(2,329)
Less: FFO attributable to participating securities	(473)	(322)	(102)
FFO attributable to common stockholders	\$54,377	\$41,878	\$25,539

(1) Amount represents our 15% share of unconsolidated joint venture real estate depreciation and amortization. See Note 11 to our consolidated financial statements included in Item 15 of this Report on Form 10-K.

(2) For the year ended December 31, 2016, the gain relates to the Company’s acquisition of the remaining 85% ownership interest in the property located at 3233 Mission Oaks Boulevard from the JV. See Note 11 to our consolidated financial statements included in Item 15 of this Report on Form 10-K.

(3) Noncontrolling interest represent holders of outstanding common units of our Operating Partnership that are owned by unit holders other than Rexford Industrial Realty, Inc.

- (4) Participating securities include unvested shares of restricted stock, unvested LTIP units of partnership interest in our Operating Partnership and unvested performance units in our Operating Partnership.

Non-GAAP Supplemental Measure: NOI and Cash NOI

Net operating income (NOI) includes the revenue and expense directly attributable to our real estate properties calculated in accordance with GAAP. NOI is calculated as total rental revenues from real estate operations including i) rental income, ii) tenant reimbursements, and iii) other income less property expenses (before interest expense, depreciation and amortization). We use NOI as a supplemental performance measure because, in excluding real estate depreciation and amortization expense, general and administrative expenses, interest expense, gains (or losses) on sale of real estate and other non-operating items, it provides a performance measure that, when compared year over year, captures trends in occupancy rates, rental rates and operating costs. We also believe that NOI will be useful to investors as a basis to compare our operating performance with that of other REITs. However, because NOI excludes depreciation and amortization expense and captures neither the changes in the value of our properties that result from use or market conditions, nor the level of capital expenditures and leasing commissions necessary to maintain the operating performance of our properties (all of which have real economic effect and could materially impact our results from operations), the utility of NOI as a measure of our performance is limited. Other equity REITs may not calculate NOI in a similar manner and, accordingly, our NOI may not be comparable to such other REITs' NOI. Accordingly, NOI should be considered only as a supplement to net income as a measure of our performance. NOI should not be used as a measure of our liquidity, nor is it indicative of funds available to fund our cash needs. NOI should not be used as a substitute for cash flow from operating activities in accordance with GAAP.

NOI on a cash-basis (Cash NOI) is a non-GAAP measure, which we calculate by adding or subtracting from NOI (i) fair value lease revenue and (ii) straight-line rent adjustments. We use Cash NOI, together with NOI, as a supplemental performance measure. Cash NOI should not be used as a measure of our liquidity, nor is it indicative of funds available to fund our cash needs. Cash NOI should not be used as a substitute for cash flow from operating activities computed in accordance with GAAP.

The following table sets forth the revenue and expense items comprising NOI and the adjustments to calculate Cash NOI (in thousands):

	Year Ended December 31,		
	2016	2015	2014
Rental income	\$107,594	\$81,114	\$56,636
Tenant reimbursements	16,723	10,479	7,661
Other income	943	1,013	307
Total operating revenues	125,260	92,606	64,604
Property expenses	33,619	25,000	18,382
Net Operating Income	\$91,641	\$67,606	\$46,222
Amortization of (below) above market lease intangibles, net	(78	) 202	420
Straight line rental revenue adjustment	(4,507	) (3,425	) (1,400
Cash Net Operating Income	\$87,056	\$64,383	\$45,242

The following table sets forth a reconciliation of net income, the most directly comparable financial measure calculated and presented in accordance with GAAP, to NOI and Cash NOI (in thousands):

	Year Ended December 31,		
	2016	2015	2014
Net income	\$25,876	\$1,950	\$976
Add:			
General and administrative	17,415	15,016	12,144
Depreciation and amortization	51,407	41,837	28,608
Acquisitions expense	1,855	2,136	2,038
Interest expense	14,848	8,453	6,400
Loss on sale of real estate	—	—	150
Loss on extinguishment of debt	—	182	—
Deduct:			
Management, leasing and development services	473	584	860
Interest income	459	710	1,117
Equity in income (loss) from unconsolidated real estate entities	1,451	93	(29)
Gain from early repayment of note receivable	—	581	—
Income from discontinued operations before gain on sale of real estate and loss on extinguishment of debt	—	—	21
Gain on sale of real estate	17,377	—	2,125
Net Operating Income	\$91,641	\$67,606	\$46,222
Amortization of (below) above market lease intangibles, net	(78)	202	420
Straight line rental revenue adjustment	(4,507)	(3,425)	(1,400)
Cash Net Operating Income	\$87,056	\$64,383	\$45,242

Non-GAAP Supplemental Measure: EBITDA

We believe that earnings before interest expense, income taxes, depreciation and amortization (“EBITDA”) is helpful to investors as a supplemental measure of our operating performance as a real estate company because it is a direct measure of the actual operating results of our industrial properties. We also use this measure in ratios to compare our performance to that of our industry peers. However, our industry peers may not calculate EBITDA in the same manner as we do and, accordingly, our EBITDA may not be comparable to our peers’ EBITDA. Accordingly, EBITDA should be considered only as a supplement to net income (loss) as a measure of our performance.

The following table sets forth a reconciliation of net income, the most directly comparable financial measure calculated and presented in accordance with GAAP, to EBITDA (in thousands):

	Year Ended December 31,		
	2016	2015	2014
Net income	\$25,876	\$1,950	\$976
Interest expense	14,848	8,453	6,400
Proportionate share of interest expense from unconsolidated joint venture	—	—	170
Depreciation and amortization, including amounts in discontinued operations	51,407	41,837	28,615
Proportionate share of real estate related depreciation and amortization from unconsolidated joint venture ⁽¹⁾	10	57	357
EBITDA	\$92,141	\$52,297	\$36,518

⁽¹⁾ Amount represents our 15% share of unconsolidated joint venture real estate depreciation and amortization. See Note 11 to our consolidated financial statements included in Item 15 of this Report on Form 10-K.

Financial Condition, Liquidity and Capital Resources

Our short-term liquidity requirements consist primarily of funds to pay for operating expenses, interest expense, general and administrative expenses, capital expenditures, tenant improvements and leasing commissions, and distributions to our common and preferred stockholders and holders of common units of partnership interests in our Operating Partnership (“OP Units”). We expect to meet our short-term liquidity requirements through available cash on hand, cash flow from operations, by drawing on our unsecured revolving credit facility and by issuing shares of common stock pursuant to the ATM Program described below.

Our long-term liquidity needs consist primarily of funds necessary to pay for acquisitions, recurring and non-recurring capital expenditures and scheduled debt maturities. We intend to satisfy our long-term liquidity needs through net cash flow from operations, proceeds from long-term secured and unsecured financings, borrowings available under our unsecured revolving credit facility, the issuance of equity securities, including preferred stock, and proceeds from selective real estate dispositions as we identify capital recycling opportunities.

As of December 31, 2016, our cash and cash equivalents were approximately \$15.5 million, and we did not have any amounts outstanding under our unsecured revolving credit facility, leaving \$200.0 million available for additional borrowings.

Sources of Liquidity

Cash Flow from Operations

Cash flow from operations is one of our key sources of liquidity and is primarily dependent upon: (i) the occupancy levels and lease rates at our properties, (ii) our ability to collect rent, (iii) the level of operating costs we incur and (iv) our ability to pass through operating expenses to our tenants. We are subject to a number of risks related to general economic and other unpredictable conditions, which have the potential to affect our overall performance and resulting cash flows from operations. However, based on our current portfolio mix and business strategy, we anticipate that we will be able to generate positive cash flows from operations.

ATM Program

On April 17, 2015, we established the ATM Program pursuant to which we may issue and sell from time to time up to an aggregate of \$125.0 million of our common stock through sales agents. As of the filing date of this Annual Report on Form 10-K, we have sold 571,868 shares of common stock under the ATM Program for aggregate gross proceeds of \$13.2 million, leaving us with the capacity to issue up to \$111.8 million of additional shares. Future sales, if any, will depend on a variety of factors to be determined by us from time to time, including among others, market conditions, the trading price of our common stock, determinations by us of the appropriate sources of funding for us and potential uses of funding available to us. We intend to use the net proceeds from the offering of shares under the ATM Program, if any, to fund potential acquisition opportunities, repay amounts outstanding from time to time under our unsecured revolving credit facility or other debt financing obligations, to fund our development or redevelopment activities and/or for general corporate purposes.

Equity Offerings

On April 15, 2016, we completed a public follow-on offering (the “Equity Offering”) of 10,350,000 shares of our common stock, including the underwriters exercise in full of its option to purchase an additional 1,350,000 shares of our common stock, at an offering price of \$17.65 per share. The net proceeds were approximately \$174.4 million, after deducting the underwriters’ discount and offering costs totaling \$8.3 million. A portion of the net proceeds from the Equity Offering were used to repay all of the outstanding borrowings under our unsecured revolving credit facility, which had an outstanding balance of \$62.5 million on April 15, 2016, the date of repayment, and to partially fund the REIT Portfolio Acquisition as discussed below under —Uses of Liquidity— REIT Portfolio Acquisition.

On August 16, 2016, we completed a public offering of 3,600,000 shares of our 5.875% Series A Cumulative Redeemable Preferred Stock (the “Series A Preferred Stock”) at a price of \$25.00 per share. The net proceeds from the preferred offering were approximately \$86.7 million, after deducting the underwriters’ discount and offering costs totaling \$3.3 million. We used the net proceeds from the offering to fund various acquisitions and for general corporate purposes.

We evaluate the capital markets on an ongoing basis for opportunities to raise capital, and as circumstances warrant, we may issue additional securities, from time to time, to fund acquisitions or repositioning costs, for the repayment of

long-term debt

70

upon maturity and for other general corporate purposes. Any future issuance, however, is dependent upon market conditions, available pricing and capital needs and there can be no assurance that we will be able to complete any such offerings of securities.

Capital Recycling

We continuously evaluate opportunities for the potential disposition of properties in our portfolio when we believe such disposition is appropriate in view of our business objectives. In evaluating these opportunities, we consider a variety of criteria including, but not limited to, local market conditions and lease rates, asset type and location, as well as potential uses of proceeds and tax considerations. Tax considerations include entering into tax-deferred like-kind exchanges under Section 1031 of the Internal Revenue Code ("1031 Exchange"), when possible, to defer some or all of the taxable gains, if any, on dispositions.

During the year ended December 31, 2016, we completed the sale of five of our properties for an aggregate gross sales price of \$40.7 million. The net cash proceeds from these dispositions, which totaled \$38.5 million, were used to acquire three properties in three separate 1031 Exchange transactions.

We anticipate continuing to selectively dispose of properties, however, the timing of any potential future dispositions will depend on market conditions and our capital needs. Our ability to dispose of selective properties on advantageous terms, or at all, is dependent upon a number of factors including the availability of credit to potential buyers to purchase properties at prices that we consider acceptable.

Unsecured Revolving Credit Facility and Term Loan Facility

On February 14, 2017, we amended our \$300 million unsecured credit facility (the "Prior Credit Facility") by entering into a Second Amended and Restated Credit Agreement (the "Amended Credit Agreement"), which provides for a \$450 million senior unsecured credit facility, comprised of a \$350 million unsecured revolving credit facility (the "Amended Revolver") and a \$100 million unsecured term loan facility (the "Amended Term Loan"). The Amended Revolver is scheduled to mature on February 12, 2021, and has two six-month extension options available for a maximum maturity date of February 14, 2022, subject to certain conditions and the payment of an additional fee. The Amended Term Loan is scheduled to mature on February 14, 2022. Under the terms of the Amended Credit Agreement, we may request additional lender commitments up to an additional aggregate \$550 million, which may be comprised of additional revolving commitments under the Amended Revolver, an increase to the Amended Term Loan, additional term loan tranches or any combination of the foregoing.

Interest on the Amended Credit Agreement, is generally to be paid based upon, at our option, either (i) LIBOR plus an applicable margin that is based upon our leverage ratio or (ii) the Base Rate (which is defined as the highest of (a) the federal funds rate plus 0.50%, (b) the administrative agent's prime rate or (c) the Eurodollar Rate plus 1.00%) plus an applicable margin that is based on our leverage ratio. The margins for the Amended Revolver range in amount from 1.10% to 1.50% for LIBOR-based loans and 0.10% to 0.50% for Base Rate-based loans, depending on our leverage ratio. The margins for the Amended Term Loan range in amount from 1.20% to 1.70% for LIBOR-based loans and 0.20% to 0.70% for Base Rate-based loans, depending on our leverage ratio.

If we attain one additional investment grade rating by one or more of Standard & Poor's or Moody's Investor Services to complement our current investment grade Fitch rating, we may elect to convert the pricing structure under the Amended Credit Agreement to be based on such rating. In that event, the margins for the Amended Revolver will range in amount from 0.825% to 1.550% for LIBOR-based loans and 0.00% to 0.55% for Base Rate-based loans, depending on such rating. The margins for the Amended Term Loan will range in amount from 0.90% to 1.75% for LIBOR-based loans and 0.00% to 0.75% for Base Rate-based loans, depending on such ratings.

In addition to the interest payable on amounts outstanding under the Amended Revolver, we are required to pay an applicable facility fee, based upon our leverage ratio, on the aggregate amount of each lender's Revolving Credit Commitment (whether or not such Revolving Credit Commitment is drawn), as defined in the Amended Credit Agreement. The applicable facility fee will range in amount from 0.15% to 0.30%, depending on our leverage ratio. In

the event that we convert the pricing structure to be based on an investment-grade rating, the applicable facility fee will range in amount from 0.125% to 0.30%, depending on such rating.

The Amended Credit Agreement is guaranteed by the Company and by substantially all of the current and to-be-formed subsidiaries of the Operating Partnership that own an unencumbered property. The Amended Credit Agreement is not secured by the Company's properties or by equity interests in the subsidiaries that hold such properties.

The Amended Revolver and the Amended Term Loan may be voluntarily prepaid in whole or in part at any time without

premium or penalty. Amounts borrowed under the Amended Term Loan and repaid or prepaid may not be reborrowed.

The Amended Credit Agreement contains usual and customary events of default including defaults in the payment of principal, interest or fees, defaults in compliance with the covenants set forth in the Amended Credit Facility and other loan documentation, cross-defaults to certain other indebtedness, and bankruptcy and other insolvency defaults. If an event of default occurs and is continuing under the Amended Credit Facility, the unpaid principal amount of all outstanding loans, together with all accrued unpaid interest and other amounts owing in respect thereof, may be declared immediately due and payable.

As of the filing date of this Annual Report on Form 10-K, we had borrowings of \$115 million outstanding under the Amended Credit Agreement, including \$15 million drawn on the Amended Revolver and \$100 million under the Amended Term Loan.

\$225 Million Term Loan Facility

On January 14, 2016, we entered into a credit agreement for a senior unsecured term loan facility (the “\$225 Million Term Loan Facility”) that initially permits aggregate borrowings of up to \$125 million, the total of which we borrowed the same day at closing. Under the terms of the \$225 Million Term Loan Facility, we are permitted to add one or more incremental term loans in an aggregate amount not to exceed \$100 million (the “Accordion”), subject to the satisfaction of specified conditions. On April 15, 2016, we exercised the Accordion in full, thereby increasing the aggregate amount outstanding under the \$225 Million Term Loan Facility to \$225 million. The maturity date of the \$225 Million Term Loan Facility is January 14, 2023.

Interest on the \$225 Million Term Loan Facility accrues based upon, at our option, either (i) LIBOR plus the applicable Eurodollar rate margin or (ii) the applicable base rate which is the greater of (a) the federal funds rate plus 0.50%, (b) the administrative agent’s prime rate or (c) the thirty-day LIBOR plus 1.00%, plus the applicable base rate margin. Until we obtain an investment grade rating by two or more of Standard & Poor’s, Moody’s Investor Services and Fitch Ratings, and elect to use the alternative rates based on our debt rating, the applicable Eurodollar rate margin will range from 1.50% to 2.25% per annum, and the applicable base rate margin will range from 0.50% to 1.25% per annum, depending on our Leverage Ratio (as defined in the credit agreement).

We have the option to voluntarily prepay any amounts borrowed under the \$225 Million Term Loan Facility in whole or in part at any time, subject to certain notice requirements. To the extent that we prepay all or any portion of a loan on or prior to January 14, 2018, we will pay a prepayment premium equal to (i) if such prepayment occurs prior to January 14, 2017, 2.00% of the principal amount so prepaid and (ii) if such prepayment occurs on or after January 14, 2017, but prior to January 14, 2018, 1.00% of the principal amount so prepaid. Amounts borrowed under the \$225 Million Term Loan Facility and repaid or prepaid may not be reborrowed.

Investment Grade Rating

During 2015, we obtained investment grade ratings of BBB- from Fitch Ratings on our Prior Credit Facility and \$100 million guaranteed senior notes (the “Notes”). In April 2016, we also obtained the same rating on our \$225 Million Term Loan Facility. These were most recently affirmed in August 2016, with a stable outlook. In August 2016, we also obtained an investment grade rating of BB from Fitch Ratings on the Series A Preferred Stock. Our credit ratings are based on our operating performance, liquidity and leverage ratios, overall financial position and other factors employed by the credit rating agencies in their rating analysis of us, and there can be no assurance that we will be able to maintain our current credit ratings. In the event our current credit ratings are downgraded, it may become difficult or expensive to obtain additional financing or refinance existing indebtedness as maturities become due.

Uses of Liquidity

Acquisitions

One of our most significant liquidity needs has historically been for the acquisition of real estate properties. As part of our growth strategy, we are actively monitoring a volume of properties in our markets that we believe represent attractive potential investment opportunities. While the actual number of acquisitions that we complete will be dependent upon a number of factors, in the short term, we expect to fund our acquisitions through available cash on hand, cash flows from operations, borrowings available under the Amended Revolver, recycling capital through property dispositions and, in the long term, through the issuance of equity securities or proceeds from long-term

secured and unsecured financings. On February 17, 2017, we completed the acquisition of a single-tenant industrial property for a contract price of \$17.1 million. The acquisition was funded using available cash on hand and borrowings under our unsecured revolving credit facility.

REIT Portfolio Acquisition

On April 11, 2016, we entered into a stock purchase agreement (the “Stock Purchase Agreement”) to acquire a private real estate investment trust that owns a portfolio of nine industrial properties totaling approximately 1.53 million rentable square feet, from a third-party seller in exchange for approximately \$191.0 million in cash, exclusive of closing costs (the “REIT Portfolio Acquisition”).

On April 15, 2016, pursuant to the Stock Purchase Agreement, we consummated the transaction. We funded the purchase price and related transaction costs with available cash and the proceeds from the Accordion and the Equity Offering.

Recurring and Nonrecurring Capital Expenditures

Capital expenditures are considered part of both our short-term and long-term liquidity requirements. During the year ended December 31, 2016, we incurred \$2.8 million of recurring capital expenditures, which was a decrease of \$0.7 million over the prior year. During the year ended December 31, 2016, we incurred \$21.2 million of non-recurring capital expenditures, which was an increase of \$6.7 million over the prior year. The increase in non-recurring capital expenditures is primarily due to an increase in our redevelopment and repositioning activity and the growth of our overall portfolio. As discussed above under —Factors that May Influence Future Results —Acquisitions and Development of Properties, as of December 31, 2016, seven of our properties were in various stages of redevelopment and repositioning or lease-up, and we anticipate beginning repositioning work on five additional properties during 2017. We currently estimate that approximately \$83.3 million of capital will be required over the next seven quarters (1Q-2017 through 3Q-2018) to complete the redevelopment and repositioning of these 12 properties. However, this estimate is based on our current construction plan and budgets, both of which are subject to change as a result of a number of factors. If we are unable to complete construction on schedule or within budget, we could incur increased construction costs and experience potential delays in leasing the properties. We expect to fund these projects through a combination of cash flow from operations, borrowings available under the Revolver, and recycling capital through property dispositions.

Commitments and Contractual Obligations

The following table sets forth our principal obligations and commitments as of December 31, 2016, including (i) scheduled principal payments and debt maturities, (ii) periodic interest payments related to our outstanding indebtedness and interest rate swaps, (iii) office and ground lease payments and (iv) other contractual obligations (in thousands):

	Payments by Period						
	Total	2017	2018	2019	2020	2021	Thereafter
Principal payments and debt maturities	\$502,476	\$1,213	\$6,163	\$167,641	\$166	\$175	\$327,118
Interest payments - fixed rate debt	41,151	5,179	4,959	4,491	4,412	4,403	17,707
Interest payments - variable rate debt ⁽¹⁾	43,961	9,531	9,510	7,599	5,674	5,674	5,973
Interest rate swap payments ⁽²⁾	8,657	1,805	2,648	1,439	1,356	1,356	53
Office lease payments	1,594	635	622	337	—	—	—
Ground lease payments	6,540	144	144	144	144	144	5,820
Contractual obligations ⁽³⁾	10,078	10,078	—	—	—	—	—
Total	\$614,457	\$28,585	\$24,046	\$181,651	\$11,752	\$11,752	\$356,671

(1) Based on the 1-month LIBOR rate of 0.7717%, as of December 31, 2016.

(2) Reflects the estimated payments to counterparties assuming that the 1-month LIBOR rate is equal to 0.7717% from the effective date through the maturity date of each respective interest rate swap.

(3) Includes total commitments for tenant improvement and construction work related to obligations under certain tenant leases and vendor contracts. We anticipate these obligations to be paid as incurred in 2017 and 2018, however, as the timing of these obligations is subject to a number of factors, for purposes of this table, we have included the full amount under “2017.”

Dividends and Distributions

In order to maintain our qualification as a REIT, we are required to distribute annually at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gains. To satisfy the requirements to qualify as a REIT and generally not be subject to U.S. federal income tax, we intend to distribute a percentage of

73

our cash flow on a quarterly basis to holders of our common stock. In addition, we intend to make distribution payments to holders of OP Units and dividend payments to holders of our preferred stock.

On February 14, 2017, our board of directors declared a quarterly cash dividend of \$0.145 per share of common stock and a quarterly cash distribution of \$0.145 per OP Unit, to be paid on April 17, 2017, to holders of record as of March 31, 2017. Also on February 14, 2017, our board of directors declared a quarterly cash dividend of \$0.36719 per share of the Series A Preferred Stock, to be paid on March 31, 2017, to preferred stockholders of record as of March 15, 2017.

Consolidated Indebtedness

The following table sets forth certain information with respect to our consolidated indebtedness outstanding as of December 31, 2016:

	Maturity Date	Stated Interest Rate	Effective Interest Rate ⁽¹⁾	Principal Balance (in thousands) ⁽²⁾	Maturity Date of Effective Swaps
Secured Debt:					
\$60M Term Loan ⁽³⁾	8/1/2019 ⁽³⁾	LIBOR + 1.90%	3.817 % ⁽⁴⁾	\$ 59,674	2/15/2019
Gilbert/La Palma	3/1/2031	5.125%	5.125 %	2,909	—
12907 Imperial Highway	4/1/2018	5.950%	5.950 %	5,182	—
1065 Walnut Street	2/1/2019	4.550%	4.550 %	9,711	—
Unsecured Debt:					
\$100M Term Loan Facility	6/11/2019	LIBOR + 1.50% ⁽⁵⁾	3.398 % ⁽⁶⁾	100,000	12/14/2018
Unsecured Revolving Credit Facility ⁽⁷⁾	6/11/2018 ⁽³⁾	LIBOR + 1.55% ⁽⁵⁾	2.322 %	—	—
\$225M Term Loan Facility	1/14/2023	LIBOR + 1.75% ⁽⁵⁾	2.522 % ⁽⁸⁾	225,000	—
Guaranteed Senior Notes	8/6/2025	4.290%	4.290 %	100,000	—
Total Debt:			3.291 %	\$ 502,476	

Includes the effect of interest rate swaps that were effective as of December 31, 2016. Assumes a 1-month LIBOR (1) rate of 0.7717% as of December 31, 2016, as applicable. Excludes the effect of amortization of deferred loan fees, discounts/premiums and the unused commitment fee on the \$200 million unsecured revolving credit facility.

(2) Excludes unamortized deferred loan fees and net debt premiums aggregating \$2.3 million as of December 31, 2016.

(3) One additional one-year extension is available, if certain conditions are satisfied.

As of December 31, 2016, this term loan has been effectively fixed at 3.817% through the use of two interest rate (4) swaps as follows: (i) \$30 million at 3.726% with an effective date of January 15, 2015, and (ii) \$29.7 million at 3.91% with an effective date of July 15, 2015.

The applicable LIBOR margin will range from 1.25% to 1.85% for the \$100 million term loan facility, 1.30% to 1.90% for the \$200 million unsecured revolving credit facility and 1.50% to 2.25% for the \$225 Million Term (5) Loan Facility, depending on the ratio of our outstanding consolidated indebtedness to the value of our consolidated gross asset value. This ratio is measured on a quarterly basis, and as a result, the effective interest rate will fluctuate from period to period.

As of December 31, 2016, \$100 million term loan facility has been effectively fixed at 1.8975% plus the applicable (6) LIBOR margin through the use of two interest rate swaps as follows: (i) \$50 million with a strike rate of 1.79% with an effective date of August 14, 2015, and (ii) \$50 million with a strike rate of 2.005% with an effective date of February 16, 2016.

The \$200 million unsecured revolving credit facility is subject to an unused commitment fee, which is calculated as (7) 0.30% or 0.20% of the daily-unused commitment if the balance is under \$100 million or over \$100 million, respectively.

As of December 31, 2016, we have executed two interest rate swaps that will effectively fix the interest on the (8) \$225 Million Term Loan Facility as follows: (i) \$125 million at 1.349% plus the applicable LIBOR margin from February 14, 2018, to January 14, 2022, and (ii) \$100 million at 1.406% plus the applicable LIBOR margin from August 14, 2018, to January 14, 2022.

The following table summarizes the composition of our consolidated debt between fixed-rate and variable-rate and secured and unsecured debt as of December 31, 2016:

	Average Term Remaining (in years)	Stated Interest Rate	Effective Interest Rate ⁽¹⁾	Principal Balance (in thousands) ⁽²⁾	% of Total
Fixed vs. Variable:					
Fixed	4.8	3.92%	3.92%	\$ 277,476	55%
Variable	6.0	LIBOR + 1.75%	2.52%	\$ 225,000	45%
Secured vs. Unsecured:					
Secured	2.9	--	4.10%	\$ 77,476	15%
Unsecured	5.8	--	3.14%	\$ 425,000	85%

⁽¹⁾ Includes the effect of interest rate swaps that were effective as of December 31, 2016. Excludes the effect of amortization of deferred loan fees, discounts/premiums and the unused commitment fee on the \$200 million unsecured revolving credit facility. Assumes a 1-month LIBOR rate of 0.7717% as of December 31, 2016, as applicable.

⁽²⁾ Excludes unamortized deferred loan fees and net debt premiums aggregating \$2.3 million as of December 31, 2016.

As of December 31, 2016, we had total indebtedness, excluding unamortized deferred loan fees and net debt premiums, of \$502.5 million, with a weighted average interest rate of approximately 3.29% and an average term-to-maturity of 5.3 years. As of December 31, 2016, \$277.5 million, or 55%, of our outstanding indebtedness had an interest rate that was effectively fixed under either the terms of the loan (\$117.8 million) or an interest rate swap (\$159.7 million). We have two interest rate swaps that will effectively fix the interest on the \$225 Million Term Loan Facility as follows: (i) \$125 million at 1.349% plus the applicable LIBOR margin from February 14, 2018, to January 14, 2022, and (ii) \$100 million at 1.406% plus the applicable LIBOR margin from August 14, 2018, to January 14, 2022. If these two interest rate swaps were effective as of December 31, 2016, our consolidated debt would be 100% fixed-rate and 0% variable-rate.

At December 31, 2016, we had total indebtedness of approximately \$502.5 million, reflecting a net debt to total combined market capitalization of approximately 22.6%. Our total combined market capitalization is defined as the sum of the liquidation value of our preferred stock plus the market value of our common stock excluding shares of nonvested restricted stock, plus the aggregate value of common units not owned by us, plus the value of our net debt. Our net debt is defined as our consolidated indebtedness less cash and cash equivalents.

Debt Covenants

The \$225 Million Term Loan Facility and the Amended Credit Agreement both include a series of financial and other covenants that we must comply with, including the following covenants which are tested on a quarterly basis:

• Maintaining a ratio of total indebtedness to total asset value of not more than 60%;

• Maintaining a ratio of secured debt to total asset value of not more than 45%;

• Maintaining a ratio of total secured recourse debt to total asset value of not more than 15%;

For the \$225 Million Term Loan Facility, maintaining a minimum tangible net worth of at least the sum of (i) \$283,622,250 and (ii) an amount equal to at least 75% of the net equity proceeds received by our company after March 31, 2014;

For the Amended Credit Agreement, maintaining a minimum tangible net worth of at least the sum of (i) \$760,740,750 and (ii) an amount equal to at least 75% of the net equity proceeds received by the Company after September 30, 2016;

• Maintaining a ratio of adjusted EBITDA (as defined in the credit agreement) to fixed charges of at least 1.50 to 1.0;

• Maintaining a ratio of total unsecured debt to total unencumbered asset value of not more than 60%;

• Maintaining a ratio of unencumbered NOI (as defined in the credit agreement) to unsecured interest expense of at least 1.75 to 1.0.

Additionally, the \$225 Million Term Loan Facility and the Amended Credit Agreement contain limitations on our ability to pay distributions on our common stock. Specifically, our cash dividends may not exceed the greater of (1) 95% of our FFO (as

75

defined in the credit agreement) and (2) the amount required for us to qualify and maintain our REIT status. If an event of default exists, we may only make distributions sufficient to qualify and maintain our REIT status.

The Notes contain a series of financial and other covenants with which we must comply. The financial covenants, which are tested on a quarterly basis, are the same as those that we must comply with under the \$225 Million Term Loan Facility, as detailed above. Subject to the terms of the Notes, upon certain events of default, including, but not limited to, (i) a default in the payment of any principal, make-whole payment amount, or interest under the Notes, (ii) a default in the payment of certain of our other indebtedness, (iii) a default in compliance with the covenants set forth in the Notes agreement and (iv) bankruptcy and other insolvency defaults, the principal and accrued and unpaid interest and the make-whole payment amount on the outstanding Notes will become due and payable at the option of the purchasers.

Our \$60 million amortizing term loan contains the following financial covenants:

- Maintaining a Debt Service Coverage Ratio (as defined in the term loan agreement) of at least 1.10 to 1.00, to be tested quarterly;

- Maintaining Unencumbered Liquid Assets (as defined in the term loan agreement) of not less than (i) \$5 million, or (ii) \$8 million if we elect to have Line of Credit Availability (as defined in the term loan agreement) included in the calculation, of which \$2 million must be cash or cash equivalents, to be tested annually as of December 31 of each year;

- Maintaining a minimum Fair Market Net Worth (as defined in the term loan agreement) of at least \$75 million, to be tested annually as of December 31 of each year.

We were in compliance with all of our quarterly and annual debt covenants as of December 31, 2016.

Off Balance Sheet Arrangements

As of December 31, 2016, we did not have any off-balance sheet arrangements.

Cash Flows

Comparison of the Year Ended December 31, 2016 to the Year Ended December 31, 2015

The following table summarizes the changes in net cash flows associated with our operating, investing, and financing activities for the years ended December 31, 2016 and 2015 (in thousands):

	Year Ended December		
	31,		
	2016	2015	Change
Cash provided by operating activities	\$56,432	\$40,508	\$15,924
Cash used in investing activities	\$(361,214)	\$(236,774)	\$(124,440)
Cash provided by financing activities	\$315,106	\$192,861	\$122,245

Net cash provided by operating activities. Net cash provided by operating activities increased by \$15.9 million to \$56.4 million for the year ended December 31, 2016, compared to \$40.5 million for the year ended December 31, 2015. The increase was primarily attributable to incremental cash flows from property acquisitions completed after January 1, 2015, and the increase in Cash NOI from our Same Properties Portfolio, partially offset by higher cash interest paid for comparable periods.

Net cash used in investing activities. Net cash used in investing activities increased by \$124.4 million to \$361.2 million for the year ended December 31, 2016, compared to \$236.8 million for the year ended December 31, 2015. The increase was primarily attributable to the \$139.1 million increase in cash paid for property acquisitions and the \$9.7 million increase in cash paid for construction and repositioning projects for comparable periods, partially offset by aggregate net proceeds of \$38.5 million received from five real estate dispositions completed during 2016.

Net cash provided by financing activities. Net cash provided by financing activities was \$315.1 million for the year ended December 31, 2016, and consisted primarily of \$174.4 million in net cash proceeds raised from the issuance of 10.35 million shares of common stock, \$86.7 million in net cash proceeds raised from the issuance of 3.6 million shares of preferred stock and gross proceeds of \$225.0 million from borrowings made under the \$225 Million Term Loan Facility, partially offset by the repayment of \$140.5 million of net borrowings outstanding under the Prior Revolver and the payment of \$36.0 million in dividends and distributions. Net cash provided by financing activities was \$192.9 million for the year ended December 31, 2015, and consisted primarily of \$176.2 million in net proceeds raised from the issuance of 11.5 million shares of common stock, proceeds of \$100.0 million received from the issuance of the Notes and net borrowings of \$48.0 million on the Prior Revolver, partially offset by the repayment of three secured loans aggregating \$101.4 million, the payment of \$27.1 million in dividends and distributions, and the payment of \$0.8 million related to new borrowings.

Comparison of the Year Ended December 31, 2015 to the Year Ended December 31, 2014

The following table summarizes the cash flows of Rexford Industrial Realty, Inc. for the years ended December 31, 2015 and 2014 (in thousands):

	Year Ended December 31,		
	2015	2014	Change
Cash provided by operating activities	\$40,508	\$24,504	\$16,004
Cash used in investing activities	\$(236,774)	\$(380,581)	\$143,807
Cash provided by financing activities	\$192,861	\$355,686	\$(162,825)

Net cash provided by operating activities. Net cash provided by operating activities increased by \$16.0 million to \$40.5 million for the year ended December 31, 2015, compared to \$24.5 million for the year ended December 31, 2014. The increase was primarily attributable to incremental cash flows from property acquisitions completed after January 1, 2014 and the increase in Cash NOI from our Same Properties Portfolio.

Net cash used in investing activities. Net cash used in investing activities decreased by \$143.8 million to \$236.8 million for the year ended December 31, 2015, compared to \$380.6 million for the year ended December 31, 2014. The decrease was primarily attributable to the \$153.1 million decrease in cash paid for property acquisitions for comparable periods, partially offset by the increase in cash paid for construction and repositioning projects of \$8.2 million for comparable periods.

Net cash provided by financing activities. Net cash provided by financing activities was \$192.9 million for the year ended December 31, 2015, and consisted primarily of net proceeds of \$176.2 million from the issuance of 11.5 million shares of common stock (including the underwriters exercise in full of its option to purchase an additional 1,500,000 shares of our common stock), \$100 million proceeds from the issuance of the Notes and net borrowings of \$48.0 million on the Prior Revolver, partially offset by the repayment of three secured loans aggregating \$101.4 million, the payment of \$27.1 million in dividends and distributions, and the payment of \$0.8 million of deferred loan costs related to new borrowings. Net cash provided by financing activities was \$355.7 million for the year ended December 31, 2014, and consisted primarily of net proceeds of \$221.8 million from the issuance of 17.25 million shares of common stock, the receipt of \$148.5 million from two term loan borrowings, and net borrowings of \$11.1 million on our Prior Revolver, partially offset by the payment of \$18.4 million in dividends and distributions, the repayment of the \$5.0 million note secured by one of our properties and the payment of \$1.9 million of deferred loan costs related to new borrowings.

Inflation

The majority of our leases are either triple net or provide for tenant reimbursement for costs related to real estate taxes and operating expenses. In addition, most of the leases provide for fixed rent increases. We believe that inflationary increases to real estate taxes, utility expenses and other operating expenses may be partially offset by the contractual rent increases and tenant payment of taxes and expenses described above. We do not believe that inflation has had a

material impact on our historical financial position or results of operations.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

77

Market risk refers to the risk of loss from adverse changes in market prices and interest rates. A key market risk we face is interest rate risk. We are exposed to interest rate changes primarily as a result of debt used to satisfy various short-term and long-term liquidity needs, which bears interest at variable rates. We use interest rate swaps to manage, or hedge, interest rate risks related to our borrowings. Because actual interest rate movements over time are uncertain, our swaps pose potential interest rate risks, notably if interest rates fall. We also expose ourselves to credit risk, which we attempt to minimize by contracting with highly-rated banking financial counterparties. For a summary of our outstanding variable-rate debt, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Financial Condition, Liquidity and Capital Resources. For a summary of our interest rate swaps, see Note 7 to our consolidated financial statements included in Item 15 of this Report on Form 10-K.

As of December 31, 2016, interest on our \$60.0 million amortizing term loan has been effectively fixed through the use of two interest rate swaps, with notional values of \$30.0 million and \$29.7 million, respectively. The first interest rate swap, which is effective for the period from January 15, 2015 to February 15, 2019, currently fixes the annual interest rate payable at 3.726%. The second interest rate swap, which is an amortizing swap, is effective for the period from July 15, 2015 to February 15, 2019, and currently fixes the annual interest rate payable at 3.91%.

As of December 31, 2016, interest on the \$100 million term loan facility has been effectively fixed through the use of two interest rate swaps, each with a notional value of \$50.0 million. The first interest rate swap has an effective date of August 14, 2015, and a maturity date of December 14, 2018, and the second interest rate swap has an effective date of February 16, 2016, and a maturity date of December 14, 2018. The two interest rate swaps currently fix the annual interest rate payable on the \$100 million term loan facility as follows: 1.79% for the first \$50.0 million and 2.005% for the second \$50.0 million, plus an applicable margin under the terms of the Prior Credit Facility.

On February 24, 2016, we entered into an interest rate swap transaction to manage our exposure to fluctuations in variable interest rate associated with the \$125.0 million initially borrowed under the \$225 Million Term Loan Facility. The interest rate swap has a notional value of \$125.0 million with an effective date of February 14, 2018, and a maturity date of January 14, 2022. Under the terms of the interest rate swap, we are required to make certain monthly fixed rate payments on a notional value of \$125.0 million while the counterparty is obligated to make certain monthly floating rate payments based on LIBOR to us referencing the same notional value. The interest rate swap will effectively fix the annual interest rate payable on this notional value of the Company's debt which may exist under the \$225 Million Term Loan Facility at 1.349% plus an applicable margin under the terms of the \$225 Million Term Loan Facility.

On May 12, 2016, we entered into a second interest rate swap transaction to manage our exposure to fluctuations in variable interest rate associated with the incremental \$100 million borrowed under the \$225 Million Term Loan Facility. The interest rate swap has a notional value of \$100.0 million with an effective date of August 14, 2018, and a maturity date of January 14, 2022. Under the terms of the interest rate swap, we are required to make certain monthly fixed rate payments on a notional value of \$100.0 million while the counterparty is obligated to make certain monthly floating rate payments based on LIBOR to us referencing the same notional value. The interest rate swap will effectively fix the annual interest rate payable on this notional value of the Company's debt which may exist under the \$225 Million Term Loan Facility at 1.406% plus an applicable margin under the terms of the \$225 Million Term Loan Facility.

As of December 31, 2016, we had total indebtedness, excluding unamortized deferred loan fees and net debt premiums, of \$502.5 million. Of this total, \$277.5 million, or 55%, had an interest rate that was effectively fixed under the terms of the loan or an interest rate swap. The remaining \$225.0 million, or 45%, comprises our variable-rate debt. Based upon the amount of variable-rate debt outstanding as of December 31, 2016, if LIBOR were to increase by 50 basis points, the increase in interest expense on our variable rate debt would decrease our future earnings and cash flows by approximately \$1.1 million annually. If LIBOR were to decrease by 50 basis points, the decrease in interest expense on our variable-rate debt would be approximately \$1.1 million annually.

Interest risk amounts are our management's estimates and were determined by considering the effect of hypothetical interest rates on our financial instruments. We calculate interest sensitivity by multiplying the amount of variable rate debt outstanding by the respective change in rate. The sensitivity analysis does not take into consideration possible changes in the balances or fair value of our floating rate debt or the effect of any change in overall economic activity

that could occur in that environment. Further, in the event of a change of that magnitude, we may take actions to further mitigate our exposure to the change. However, due to the uncertainty of the specific actions that would be taken and their possible effects, this analysis assume no changes in our financial structure.

78

Item 8. Financial Statements and Supplementary Data

All information required by this item is listed in the Index to Financial Statements in Part IV, Item 15(a)(1).

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure
None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) or Rule 15d-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is processed, recorded, summarized, and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to management, including the Co-Chief Executive Officers and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure.

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by SEC Rule 13a-15(b), we carried out an evaluation, under the supervision and with the participation of management, including the Co-Chief Executive Officers and Chief Financial Officer, of the effectiveness of the design and operation of the disclosure controls and procedures as of December 31, 2016, the end of the period covered by this report. Based on this evaluation, management has concluded that the Company's disclosure controls and procedures were effective as of December 31, 2016 at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There have been no significant changes that occurred during the fourth quarter of the most recent year covered by this report in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

Internal control over financial reporting is a process designed by, or under the supervision of, our Co-Chief Executive Officers and Chief Financial Officer and effected by our board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of assets that could have a material effect on the consolidated financial statements.

Management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company has used the criteria set forth in the Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission to assess our internal control over financial reporting. Based upon this assessment, management concluded that internal control over financial reporting operated effectively as of December 31, 2016.

The effectiveness of our internal control over financial reporting as of December 31, 2016, has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which appears herein within Item 15. See Report of Independent Registered Public Accounting Firm.

Item 9B. Other Information.

None.

80

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by Item 10 will be contained in a definitive proxy statement for our Annual Meeting of Stockholders, which we anticipate will be filed no later than 120 days after the end of our fiscal year ended December 31, 2016 and is incorporated by reference.

Item 11. Executive Compensation

The information required by Item 11 will be contained in a definitive proxy statement for our Annual Meeting of Stockholders, which we anticipate will be filed no later than 120 days after the end of our fiscal year ended December 31, 2016 and is incorporated by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by Item 12 will be contained in a definitive proxy statement for our Annual Meeting of Stockholders, which we anticipate will be filed no later than 120 days after the end of our fiscal year ended December 31, 2016 and is incorporated by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by Item 13 will be contained in a definitive proxy statement for our Annual Meeting of Stockholders, which we anticipate will be filed no later than 120 days after the end of our fiscal year ended December 31, 2016 and is incorporated by reference.

Item 14. Principal Accounting Fees and Services

The information required by Item 14 will be contained in a definitive proxy statement for our Annual Meeting of Stockholders, which we anticipate will be filed no later than 120 days after the end of our fiscal year ended December 31, 2016 and is incorporated by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a)(1) and (2) Financial Statements and Schedules

The following financial information is included in Part IV of this Report on the pages indicated:

<u>Reports of Independent Registered Public Accounting Firm</u>	F-1
Audited Consolidated Financial Statements of Rexford Industrial Realty, Inc.:	
<u>Consolidated Balance Sheets as of December 31, 2016 and 2015</u>	F-3
<u>Consolidated Statements of Operations for the Years Ended December 31, 2016, 2015 and 2014</u>	F-4
<u>Consolidated Statements of Comprehensive Income (Loss) for the Years Ended December 31, 2016, 2015 and 2014</u>	F-5
<u>Consolidated Statements of Changes in Equity for the Years ended December 31, 2016, 2015 and 2014</u>	F-6
<u>Consolidated Statements of Cash Flows for the Years Ended December 31, 2016, 2015 and 2014</u>	F-7
<u>Notes to Consolidated Financial Statements</u>	F-8
<u>Schedule III – Real Estate and Accumulated Depreciation</u>	F-41

All other schedules are omitted because the required information is not present in amounts sufficient to require submission of the schedule or because the information required is included in the financial statements and notes thereto.

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(3). Exhibits

Exhibit Number	Exhibit Description	Form	File No.	Exhibit No.	Filing Date
2.1	Contribution Agreement by and among Rexford Industrial Realty, L.P., Rexford Industrial Realty, Inc. and Rexford Industrial Fund I, LLC	10-Q	001-36008	2.1	9/3/2013
2.2	Contribution Agreement by and among Rexford Industrial Realty, L.P., Rexford Industrial Realty, Inc. and Rexford Industrial Fund II, LLC	10-Q	001-36008	2.2	9/3/2013
2.3	Contribution Agreement by and among Rexford Industrial Realty, L.P., Rexford Industrial Realty, Inc. and Rexford Industrial Fund III, LLC	10-Q	001-36008	2.3	9/3/2013
2.4	Contribution Agreement by and among Rexford Industrial Realty, L.P., Rexford Industrial Realty, Inc. and Rexford Industrial Fund IV, LLC	10-Q	001-36008	2.4	9/3/2013
2.5	Agreement and Plan of Merger by and among Rexford Industrial Realty, Inc. and Rexford Industrial Fund V REIT, LLC	10-Q	001-36008	2.5	9/3/2013
2.6	Agreement and Plan of Merger by and among Rexford Industrial Realty, Inc., Rexford Industrial Realty, L.P., and Rexford Industrial Fund V, LP	10-Q	001-36008	2.6	9/3/2013
2.7	Contribution Agreement by and among Rexford Industrial Realty, L.P., Rexford Industrial Realty, Inc. and Allan Ziman, as Special Trustee of the Declaration of Trust of Jeanette Rubin trust, dated August 16, 1978, as amended	10-Q	001-36008	2.7	9/3/2013
2.8	Contribution Agreement by and among Rexford Industrial Realty, L.P., Rexford Industrial Realty, Inc. and the Contributors named therein	10-Q	001-36008	2.8	9/3/2013
2.9	Contribution Agreement by and among Rexford Industrial Realty, L.P., Rexford Industrial Realty, Inc. and Christopher Baer	10-Q	001-36008	2.9	9/3/2013
2.10	Agreement and Plan of Merger by and among Rexford Industrial Realty, Inc., Rexford Industrial Realty, L.P., Rexford Industrial Merger Sub LLC, and Rexford Industrial, LLC	10-Q	001-36008	2.10	9/3/2013
2.11	Agreement and Plan of Merger by and among Rexford Industrial Realty, Inc., Rexford Industrial Realty, L.P., Rexford Fund V Manager Merger Sub LLC, and Rexford Fund V Manager LLC	10-Q	001-36008	2.11	9/3/2013
2.12	Agreement and Plan of Merger by and among Rexford Industrial Realty, Inc., Rexford Industrial Realty, L.P., Rexford Sponsor V Merger Sub LLC, and Rexford Sponsor V LLC	10-Q	001-36008	2.12	9/3/2013
2.13	Representation, Warranty and Indemnity Agreement by and among Rexford Industrial Realty, Inc., Rexford Industrial Realty, L.P., Richard Ziman, Howard Schwimmer and Michael S. Frankel	10-Q	001-36008	2.13	9/3/2013
2.14	Indemnity Escrow Agreement, by and among Rexford Industrial Realty, Inc., Rexford Industrial Realty, L.P., Rexford Industrial Realty, Inc., acting in the capacity of escrow agent, Richard Ziman, Howard Schwimmer and Michael S. Frankel	10-Q	001-36008	2.14	9/3/2013
2.15	Agreement of Purchase and Sale and Joint Escrow Instructions, dated as of May 19, 2014, among Westcore Cabot, L.P., a Delaware limited partnership, and Westcore Distribution, LLC,	8-K	001-36008	2.1	7/2/2014

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	Westcore Distribution II, LLC, Westcore Hunter, LLC, Westcore Salt Lake Avenue, LLC, Westcore Valley, LLC, and Westcore Alton, LLC (all Delaware limited liability companies) and Rexford Industrial Realty, L.P., as amended on May 27, 2014, May 30, 2014, June 4, 2014, June 13, 2014 and June 24, 2014 Purchase and Sale Agreement by and between LBA/PPF					
2.16	Industrial – Mason, LLC., as Seller, and Rexford Industrial Realty, L.P., as Buyer, for 9120 Mason Avenue and 20355 Corisco Street, Chatsworth, California Dated as of August 18, 2014 Agreement of Purchase and Sale and Joint Escrow Instructions By and Between Laro Properties, L.P., as Seller, and Rexford Industrial Realty, L.P., a Maryland limited partnership, as Purchaser, for 12907 Imperial Hwy, Santa Fe Springs, California, 10509 Business Drive, Fontana, California, 13231 Slover Avenue, Fontana, California, Dated as of November 4, 2014, and as amended on November 26, 2014	8-K	001-36008	2.1	9/15/2014	
2.17	Stock Purchase Agreement by and among Atlantic CT Holdings, LLC, Atlantic CT REIT, Inc. and Rexford Industrial Realty, L.P. dated April 11, 2016.	8-K	001-36008	2.1	1/27/2015	
2.18	Articles of Amendment and Restatement of Rexford Industrial Realty, Inc.	8-K	001-36008	2.1	4/11/2016	
3.1	Amended and Restated Bylaws of Rexford Industrial Realty, Inc.	S-11/A	333-188806	3.1	7/15/2013	
3.2		S-11/A	333-188806	3.2	7/15/2013	

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3.3	Articles Supplementary designating the Series A Preferred Stock of Rexford Industrial Realty, Inc.	8-A	001-36008	3.3	8/15/2016
4.1	Form of Certificate of Common Stock of Rexford Industrial Realty, Inc.	S-11/A	333-188806	4.1	7/15/2013
4.2	Form of Specimen Certificate of Series A Preferred Stock of Rexford Industrial Realty, Inc.	8-A	001-36008	4.1	8/15/2016
10.1	Third Amended and Restated Agreement of Limited Partnership of Rexford Industrial Realty, L.P.	8-K	001-36008	3.2	8/16/2016
10.2	Registration Rights Agreement among Rexford Industrial Realty, Inc. and the persons named therein	10-Q	001-36008	10.2	9/3/2013
10.3†	Rexford Industrial Realty, Inc. and Rexford Industrial Realty, L.P., 2013 Incentive Award Plan	10-Q	001-36008	10.3	9/3/2013
10.4†	Form of Restricted Stock Award Agreement under 2013 Incentive Award Plan	S-11/A	333-188806	10.4	7/15/2013
10.5	Form of Indemnification Agreement between Rexford Industrial Realty, Inc. and its directors and officers	S-11/A	333-188806	10.5	7/9/2013
10.6	Tax Matters Agreement by and among Rexford Industrial Realty, Inc., Rexford Industrial Realty, L.P., and each partner set forth in Schedule I, Schedule II and Schedule III thereto	10-Q	001-36008	10.6	9/3/2013
10.7	Guaranty Agreement by and among the guarantors identified on Exhibit A thereto and Rexford Industrial Realty, L.P. in favor of a to be named lender	10-Q	001-36008	10.70	9/3/2013
10.8†	Employment Agreement between Michael S. Frankel, Rexford Industrial Realty, Inc. and Rexford Industrial Realty, L.P.	10-Q	001-36008	10.8	9/3/2013
10.9†	Employment Agreement between Howard Schwimmer, Rexford Industrial Realty, Inc. and Rexford Industrial Realty, L.P.	10-Q	001-36008	10.9	9/3/2013
10.10†	Employment Agreement, effective as of November 25, 2014, between Adeel Khan, Rexford Industrial Realty, Inc. and Rexford Industrial Realty, L.P.	8-K	001-36008	10.1	12/2/2014
10.11†	Rexford Industrial Realty, Inc. Non-Employee Director Compensation Program	10-K	001-36008	10.11	3/9/2015
10.12†	Form of Rexford Industrial Realty, Inc. and Rexford Industrial Realty, L.P. Time-Based LTIP Unit Agreement	8-K	001-36008	10.2	12/21/2015
10.13†	Form of Rexford Industrial Realty, Inc. and Rexford Industrial Realty, L.P. OPP Performance Unit Agreement	8-K	001-36008	10.3	12/21/2015
10.14	Credit Agreement among Rexford Industrial Realty, L.P., as Borrower, Rexford Industrial Realty, Inc., as Parent, Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, The Other Lenders Party Thereto, Wells Fargo Bank, National Association and JPMorgan Chase Bank, N.A., as Co-Syndication Agents and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Sole Lead Arranger and Sole Bookrunner	10-Q	001-36008	10.11	9/3/2013
10.15	Term Loan Agreement among RIF I—Don Julian, LLC, RIF I—Lewis Road, LLC, RIF I—Walnut, LLC, RIF I—Oxnard, LLC, RIF II—Kaiser, LLC, RIF III—Irwindale, LLC and Rexford Business Center—Fullerton, LLC, collectively as Borrower, and Bank of America, N.A., as Lender	10-Q	001-36008	10.12	9/3/2013
10.16	The Loan Assumption Agreement dated as of November 8, 2013 between Gilbert LaPalma Properties, LLC, and Rexford Industrial-Gilbert LaPalma, LLC, and American Security Insurance	10-K	001-36008	10.20	3/20/2014

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	Company, as Lender				
	Amended and Restated Credit Agreement, dated as of June 11, 2014, among the Rexford Industrial Realty Inc., Rexford Industrial Realty, L.P., Bank of America, N.A., as administrative agent, swing line lender, and letter of credit issuer, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Citigroup Global Markets, Inc. as Joint Lead Arrangers and Joint Bookrunners and the other parties named therein	8-K	001-36008	10.1	6/13/2014
10.17	Modification and Loan Assumption Agreement, dated January 24, 2014, by and among RIF I—Don Julian, LLC, RIF I—Lewis Road, LLC, RIF I—Oxnard, LLC, RIF I—Walnut, LLC, REXFORD BUSINESS CENTER—FULLERTON, LLC, RIF II—Kaiser, LLC, RIF III—Irwindale, LLC and REXFORD INDUSTRIAL—MADERA INDUSTRIAL, LLC collectively as Borrower, and Bank of America, N.A., as Lender.	8-K	001-36008	10.1	8/12/2014
10.18	Reaffirmation of Guaranty, dated January 24, 2014 by Rexford Industrial Realty, Inc.	8-K	001-36008	10.2	8/12/2014
10.19					

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10.20	Note Purchase and Guarantee Agreement, dated as of July 16, 2015 among the Rexford Industrial Realty L.P., Rexford Industrial Realty, Inc. and the purchasers named therein.	8-K	001-36008	10.2	7/20/2015
10.21	First Amendment to Amended and Restated Credit Agreement, dated as of July 15, 2015, by and among Rexford Industrial Realty L.P., Rexford Industrial Realty, Inc., the Lenders named therein and Bank of America, N.A., as administrative agent, swing line lender and letter of credit issuer	8-K	001-36008	10.2	7/20/2015
10.22	The Assumption Agreement dated as of January 21, 2015 between Laro Properties L.P., and Rexford Industrial-Imperial Highway, LLC, and The Lincoln National Life Insurance Company, as Lender	10-Q	001-36008	10.1	5/11/2015
10.23	Assumption Agreement dated as of December 11, 2015 between Walnut Venture, LLC, as Borrower, Rexford Industrial-1065 Walnut LLC, as Purchaser, the individual Guarantors named therein, Rexford Industrial Realty, Inc., as New Guarantor and The Bank of New York Mellon Trust Company, N.A., in its capacity as directed trustee for Washington Capital Joint Master Trust Mortgage Income Fund, as Lender.	10-K	001-36008	10.24	2/25/2016
10.24	Promissory Note dated January 14, 2014 between Walnut Venture, LLC (predecessor in interest to Rexford Industrial - 1065 Walnut LLC), as Borrower, and Washington Capital Joint Master Trust Mortgage Income Fund, as Lender.	10-K	001-36008	10.25	2/25/2016
10.25	Deed of Trust, Assignment of Rents and Leases, Security Agreement and UCC Financing Statement dated as of January 14, 2014 between Walnut Venture, LLC (predecessor in interest to Rexford Industrial - 1065 Walnut LLC), as Borrower, for the benefit of Washington Capital Joint Master Trust Mortgage Income Fund, as Lender.	10-K	001-36008	10.26	2/25/2016
10.26	Equity Distribution Agreement, dated April 17, 2015, by and among Rexford Industrial Realty, Inc., Rexford Industrial Realty, L.P., and Wells Fargo Securities, LLC	8-K	001-36008	1.1	4/17/2015
10.27	Equity Distribution Agreement, dated April 17, 2015, by and among Rexford Industrial Realty, Inc., Rexford Industrial Realty, L.P., and Merrill Lynch, Pierce, Fenner & Smith Incorporated	8-K	001-36008	1.2	4/17/2015
10.28	Equity Distribution Agreement, dated April 17, 2015, by and among Rexford Industrial Realty, Inc., Rexford Industrial Realty, L.P., and Citigroup Global Markets Inc.	8-K	001-36008	1.3	4/17/2015
10.29	Equity Distribution Agreement, dated April 17, 2015, by and among Rexford Industrial Realty, Inc., Rexford Industrial Realty, L.P., and J.P. Morgan Securities LLC	8-K	001-36008	1.4	4/17/2015
10.30	Credit Agreement, dated as of January 14, 2016, among Rexford Industrial Realty, L.P., Rexford Industrial Realty Inc., PNC Bank, National Association, as administrative agent, U.S. Bank, National Association, as syndication agent, PNC Capital Markets LLC and U.S. Bank National Association, as joint lead arrangers and joint bookrunners, and the other lenders named therein.	8-K	001-36008	10.1	1/20/2016
10.31	Increase Certificate dated April 15, 2016.	8-K	001-36008	10.1	4/15/2016
10.32	Second Amended and Restated Credit Agreement, dated as of February 14, 2017, among Rexford Industrial Realty, Inc., Rexford Industrial Realty, L.P., Citibank, N.A. as administrative agent, swing line lender and letter of credit issuer, and the other lenders named therein.	8-K	001-36008	10.10	2/15/2017
10.33*					

Third Amendment to Credit Agreement, dated February 14, 2017, among Rexford Industrial Realty, L.P., Rexford Industrial Realty Inc., PNC Bank, National Association, as administrative agent, U.S. Bank, National Association, as syndication agent, PNC Capital Markets LLC and U.S. Bank National Association, as joint lead arrangers and joint bookrunners, and the other lenders named therein.

- 12.1* Statement of Computation of Ratio of Earnings to Fixed Charges and Preferred Stock Dividends
- 21.1* List of Subsidiaries of the Company
- 23.1* Consent of Ernst & Young LLP
- 24.1* Power of Attorney (included on the signature page of this Form 10-K)
- 31.1* Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2* Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

- 31.3* Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1* Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2* Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.3* Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
The following financial information from Rexford Industrial Realty, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2016, formatted in XBRL (eXtensible Business Reporting Language):
- 101.1* (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Changes in Equity, (iv) Consolidated Statements of Cash Flows and (v) the Notes to Consolidated Financial Statements

* Filed herein

** Furnished herein

€ Compensatory plan or arrangement

86

SIGNATURES

Pursuant to the requirements of the Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this annual report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

Rexford Industrial Realty, Inc.

February 22, 2017 /s/ Michael S. Frankel
Michael S. Frankel
Co-Chief Executive Officer (Principal Executive Officer)

February 22, 2017 /s/ Howard Schwimmer
Howard Schwimmer
Co-Chief Executive Officer (Principal Executive Officer)

February 22, 2017 /s/ Adeel Khan
Adeel Khan
Chief Financial Officer
(Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that we, the undersigned officers and directors of Rexford Industrial Realty, Inc., hereby severally constitute Michael S. Frankel, Howard Schwimmer and Adeel Khan, and each of them singly, our true and lawful attorneys with full power to them, and each of them singly, to sign for us and in our names in the capacities indicated below, the Form 10-K filed herewith and any and all amendments to said Form 10-K, and generally to do all such things in our names and in our capacities as officers and directors to enable Rexford Industrial Realty, Inc. to comply with the provisions of the Securities Exchange Act of 1934, as amended, and all requirements of the Securities and Exchange Commission, hereby ratifying and confirming our signatures as they may be signed by our said attorneys, or any of them, to said Form 10-K and any and all amendments thereto.

Signature	Title	Date
/s/ Michael S. Frankel Michael S. Frankel	Co- Chief Executive Officer and Director (Principal Executive Officer)	February 22, 2017
/s/ Howard Schwimmer Howard Schwimmer	Co- Chief Executive Officer and Director (Principal Executive Officer)	February 22, 2017
/s/ Adeel Khan Adeel Khan	Chief Financial Officer (Principal Financial and Accounting Officer)	February 22, 2017
/s/ Richard Ziman Richard Ziman	Chairman of the Board	February 22, 2017
/s/ Robert L. Antin Robert L. Antin	Director	February 22, 2017
/s/ Steven C. Good Steven C. Good	Director	February 22, 2017
/s/ Peter Schwab Peter Schwab	Director	February 22, 2017
/s/ Tyler H. Rose Tyler H. Rose	Director	February 22, 2017

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Rexford Industrial Realty, Inc.

We have audited the accompanying consolidated balance sheets of Rexford Industrial Realty, Inc. (the "Company") as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income (loss), changes in equity and cash flows for the years ended December 31, 2016, 2015 and 2014. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Rexford Industrial Realty, Inc. at December 31, 2016 and 2015, and the consolidated results of its operations and its cash flows for the years ended December 31, 2016, 2015 and 2014, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Rexford Industrial Realty, Inc.'s internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 22, 2017 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Los Angeles, California
February 22, 2017

F-1

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Rexford Industrial Realty, Inc.

We have audited Rexford Industrial Realty, Inc.'s (the "Company") internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the "COSO criteria"). Rexford Industrial Realty, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Rexford Industrial Realty, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Rexford Industrial Realty, Inc. as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income (loss), changes in equity and cash flows for the years ended December 31, 2016, 2015 and 2014 and our report dated February 22, 2017 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Los Angeles, California
February 22, 2017

REXFORD INDUSTRIAL REALTY, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands - except share and per share data)

	December 31, 2016	December 31, 2015
ASSETS		
Land	\$ 683,919	\$ 492,704
Buildings and improvements	811,614	650,075
Tenant improvements	38,644	28,977
Furniture, fixtures, and equipment	174	188
Construction in progress	17,778	16,822
Total real estate held for investment	1,552,129	1,188,766
Accumulated depreciation	(135,140)	(103,623)
Investments in real estate, net	1,416,989	1,085,143
Cash and cash equivalents	15,525	5,201
Notes receivable	5,934	—
Rents and other receivables, net	2,749	3,040
Deferred rent receivable, net	11,873	7,827
Deferred leasing costs, net	8,672	5,331
Deferred loan costs, net	847	1,445
Acquired lease intangible assets, net	36,365	30,383
Acquired indefinite-lived intangible	5,170	5,271
Interest rate swap asset	5,594	—
Other assets	5,290	5,523
Investment in unconsolidated real estate entities	—	4,087
Total Assets	\$ 1,515,008	\$ 1,153,251
LIABILITIES & EQUITY		
Liabilities		
Notes payable	\$ 500,184	\$ 418,154
Interest rate swap liability	2,045	3,144
Accounts payable, accrued expenses and other liabilities	13,585	12,631
Dividends payable	9,282	7,806
Acquired lease intangible liabilities, net	9,130	3,387
Tenant security deposits	15,187	11,539
Prepaid rents	3,455	2,846
Total Liabilities	552,868	459,507
Equity		
Rexford Industrial Realty, Inc. stockholders' equity		
Preferred stock, \$0.01 par value, 10,000,000 shares authorized; 5.875% series A cumulative redeemable preferred stock, liquidation preference \$25.00 per share, 3,600,000 and zero shares outstanding as of December 31, 2016 and December 31, 2015, respectively (\$90,000 liquidation preference)	86,651	—
Common Stock, \$0.01 par value 490,000,000 authorized and 66,454,375 and 55,598,684 outstanding as of December 31, 2016 and December 31, 2015, respectively	662	553
Additional paid in capital	907,834	722,722
Cumulative distributions in excess of earnings	(59,277)	(48,103)
Accumulated other comprehensive income (loss)	3,445	(3,033)
Total stockholders' equity	939,315	672,139
Noncontrolling interests	22,825	21,605

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Total Equity	962,140	693,744
Total Liabilities and Equity	\$ 1,515,008	\$ 1,153,251

The accompanying notes are an integral part of these consolidated financial statements.

F-3

REXFORD INDUSTRIAL REALTY, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands - except share and per share data)

	Year Ended December 31,		
	2016	2015	2014
RENTAL REVENUES			
Rental income	\$107,594	\$ 81,114	\$ 56,636
Tenant reimbursements	16,723	10,479	7,661
Other income	943	1,013	307
TOTAL RENTAL REVENUES	125,260	92,606	64,604
Management, leasing and development services	473	584	860
Interest income	459	710	1,117
TOTAL REVENUES	126,192	93,900	66,581
OPERATING EXPENSES			
Property expenses	33,619	25,000	18,382
General and administrative	17,415	15,016	12,144
Depreciation and amortization	51,407	41,837	28,608
TOTAL OPERATING EXPENSES	102,441	81,853	59,134
OTHER (INCOME) EXPENSE			
Acquisition expenses	1,855	2,136	2,038
Interest expense	14,848	8,453	6,400
TOTAL OTHER EXPENSE	16,703	10,589	8,438
TOTAL EXPENSES	119,144	92,442	67,572
Equity in income (loss) from unconsolidated real estate entities	1,451	93	(29)
Gain from early repayment of note receivable	—	581	—
Loss on extinguishment of debt	—	(182)	—
Gain (loss) on sale of real estate	17,377	—	(150)
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	25,876	1,950	(1,170)
DISCONTINUED OPERATIONS			
Income from discontinued operations before gain on sale of real estate and loss on extinguishment of debt	—	—	21
Gain on sale of real estate	—	—	2,125
INCOME FROM DISCONTINUED OPERATIONS	—	—	2,146
NET INCOME	25,876	1,950	976
Less: net income attributable to noncontrolling interest	(750)	(76)	(80)
NET INCOME ATTRIBUTABLE TO REXFORD INDUSTRIAL REALTY, INC.	25,126	1,874	896
Less: preferred stock dividends	(1,983)	—	—
Less: earnings allocated to participating securities	(302)	(223)	(102)
NET INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS	\$22,841	\$ 1,651	\$ 794
Income (loss) from continuing operations attributable to common stockholders per share - basic and diluted	\$0.36	\$ 0.03	\$ (0.04)
Net income (loss) attributable to common stockholders per share - basic and diluted	\$0.36	\$ 0.03	\$ 0.02
Weighted average shares of common stock outstanding - basic	62,723,021	54,024,923	31,953,506
Weighted average shares of common stock outstanding - diluted	62,965,554	54,024,923	31,953,506

The accompanying notes are an integral part of these consolidated financial statements.

REXFORD INDUSTRIAL REALTY, INC.
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
 (In thousands)

	Year Ended December 31,		
	2016	2015	2014
Net income	\$25,876	\$1,950	\$976
Other comprehensive income (loss): cash flow hedge adjustment	6,693	(1,742)	(1,402)
Comprehensive income (loss)	32,569	208	(426)
Less: comprehensive (income) loss attributable to noncontrolling interests	(965)	(36)	(9)
Comprehensive income (loss) attributable to common stockholders	\$31,604	\$172	\$(435)

The accompanying notes are an integral part of these consolidated financial statements.

F-5

REXFORD INDUSTRIAL REALTY, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In thousands - except share data)

	Preferred Stock	Number of Shares	Common Stock	Additional Paid-in Capital	Cumulative Distributions in Excess of Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2013	\$—	25,559,886	\$ 255	\$ 311,936	\$ (5,993)	\$—	\$ 306,198	\$ 35,571	\$ 341,769
Issuance of common stock	—	17,250,000	172	232,703	—	—	232,875	—	232,875
Offering costs	—	—	—	(11,158)	—	—	(11,158)	—	(11,158)
Share-based compensation	—	213,569	—	1,163	—	—	1,163	—	1,163
Shares acquired to satisfy employee tax withholding requirements on vesting restricted stock	—	(6,928)	—	(98)	—	—	(98)	—	(98)
Conversion of units to common stock	—	685,915	7	7,772	—	—	7,779	(7,779)	—
Net income	—	—	—	—	896	—	896	80	976
Other comprehensive loss	—	—	—	—	—	(1,331)	(1,331)	(71)	(1,402)
Common stock dividends	—	—	—	—	(16,576)	—	(16,576)	—	(16,576)
Distributions	—	—	—	—	—	—	—	(1,672)	(1,672)
Balance at December 31, 2014	—	43,702,442	434	542,318	(21,673)	(1,331)	519,748	26,129	545,877
Issuance of common stock	—	11,500,500	115	183,892	—	—	184,007	—	184,007
Offering costs	—	—	—	(8,174)	—	—	(8,174)	—	(8,174)
Share-based compensation	—	120,178	1	1,764	—	—	1,765	87	1,852
Shares acquired to satisfy employee tax withholding requirements on vesting restricted stock	—	(12,670)	—	(191)	—	—	(191)	—	(191)
	—	288,234	3	3,159	—	—	3,162	(3,162)	—

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Conversion of units to common stock											
Repurchase of operating partnership units	—	—	—	(46))	—	—	(46)) (90)	(136)	
Net income	—	—	—	—		1,874	—	1,874	76	1,950	
Other comprehensive loss	—	—	—	—		—	(1,702)	(1,702)	(40)	(1,742)	
Common stock dividends	—	—	—	—		(28,304)	)	(28,304)	)	(28,304)
Distributions	—	—	—	—		—	—	—	(1,395)	(1,395)	
Balance at December 31, 2015	—	55,598,684	\$ 553	\$ 722,722	\$ (48,103))	\$ (3,033))	\$ 672,139	\$ 21,605	\$ 693,744
Issuance of preferred stock	90,000	—	—	—		—	—	90,000	—	90,000	
Issuance of common stock	—	10,752,683	108	191,882	—	—	—	191,990	—	191,990	
Offering costs	(3,349)	)	—	(8,662)	)	—	—	(12,011)	)	(12,011)
Share-based compensation	—	79,736	1	2,009	—	—	—	2,010	1,972	3,982	
Shares acquired to satisfy employee tax withholding requirements on vesting restricted stock	—	(36,374))	—	(747))	—	—	(747))	(747)
Conversion of units to common stock	—	59,646	—	630	—	—	—	630	(630))	—
Acquisition of real estate portfolio	—	—	—	—	—	—	—	—	125	125	
Net income	1,983	—	—	—	23,143	—	—	25,126	750	25,876	
Other comprehensive income	—	—	—	—	—	6,478	—	6,478	215	6,693	
Preferred stock dividends	(1,983)	)	—	—	—	—	—	(1,983)	)	(1,983)
Common stock dividends	—	—	—	—	(34,317)	)	—	(34,317)	)	(34,317)
Distributions	—	—	—	—	—	—	—	—	(1,212)	(1,212)	
Balance at December 31, 2016	\$ 86,651	66,454,375	\$ 662	\$ 907,834	\$ (59,277))	\$ 3,445)	\$ 939,315	\$ 22,825	\$ 962,140

The accompanying notes are an integral part of these consolidated financial statements.

REXFORD INDUSTRIAL REALTY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$25,876	\$1,950	\$976
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in (income) loss from unconsolidated real estate entities	(1,451)	(93)	29
Provision for doubtful accounts	1,287	1,448	675
Depreciation and amortization	51,407	41,837	28,608
Depreciation and amortization included in discontinued operations	—	—	7
Amortization of (below) above market lease intangibles, net	(78)	202	420
Amortization of loan origination fees	(150)	—	—
Accretion of discount on notes receivable	—	(178)	(263)
Deferred interest income on notes receivable	(84)	—	—
Gain from early repayment of notes receivable	—	(581)	—
Loss on extinguishment of debt	—	182	—
(Gain) loss on sale of real estate	(17,377)	—	150
Gain on sale of real estate included in discontinued operations	—	—	(2,125)
Amortization of loan costs	1,014	812	684
Accretion of premium on notes payable	(238)	(191)	(209)
Equity based compensation expense	3,835	1,752	1,042
Straight-line rent	(4,507)	(3,425)	(1,400)
Change in working capital components:			
Rents and other receivables	(988)	(2,676)	(1,558)
Deferred leasing costs	(5,596)	(3,421)	(2,362)
Other assets	71	(1,286)	(1,069)
Accounts payable, accrued expenses and other liabilities	1,667	1,806	1,227
Tenant security deposits	2,155	1,608	961
Prepaid rents	(411)	762	(1,289)
Net cash provided by operating activities	56,432	40,508	24,504
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of investments in real estate	(367,621)	(230,599)	(383,662)
Capital expenditures	(31,928)	(22,181)	(13,959)
Acquisition related deposits	—	2,110	(600)
Contributions to unconsolidated real estate entities	—	—	(105)
Distributions from unconsolidated real estate entities	5,530	—	1,745
Issuance of notes receivable	(5,700)	—	—
Change in restricted cash	—	—	325
Principal repayments of notes receivable	—	13,896	265
Proceeds from sale of real estate	38,505	—	15,410
Net cash used in investing activities	(361,214)	(236,774)	(380,581)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issuance of preferred stock, net	86,651	—	—
Issuance of common stock, net	183,386	175,833	221,773
Proceeds from notes payable	263,000	272,000	301,500
Repayment of notes payable	(179,223)	(226,710)	(147,241)

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Deferred loan costs	(1,925)	(796)	(1,876)
Debt extinguishment costs	—	(2)	—
Dividends paid to preferred stockholders	(1,983)	—	—
Dividends paid to common stockholders	(32,852)	(26,042)	(16,700)
Distributions paid to common unitholders	(1,201)	(1,095)	(1,672)
Repurchase of common shares to satisfy employee tax withholding requirements	(747)	(191)	(98)
Repurchase of operating partnership units	—	(136)	—
Net cash provided by financing activities	315,106	192,861	355,686
Increase (decrease) in cash and cash equivalents	10,324	(3,405)	(391)
Cash and cash equivalents, beginning of period	5,201	8,606	8,997
Cash and cash equivalents, end of period	\$15,525	\$5,201	\$8,606
Supplemental disclosure of cash flow information:			
Cash paid during the period for interest (net of capitalized interest of \$1,653, \$754 and \$42 for 2016, 2015 and 2014, respectively)	\$13,943	\$6,147	\$5,793
Supplemental disclosure of noncash investing and financing transactions:			
Assumption of loan in connection with acquisition of real estate including loan premium	\$—	\$17,097	\$10,565
Capital expenditure accruals	\$1,284	\$610	\$463
Accrual of dividends	\$9,282	\$7,806	\$5,244

The accompanying notes are an integral part of these consolidated financial statements.

REXFORD INDUSTRIAL REALTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization

Rexford Industrial Realty, Inc. is a self-administered and self-managed full-service real estate investment trust (“REIT”) focused on owning and operating industrial properties in Southern California infill markets. We were formed as a Maryland corporation on January 18, 2013 and Rexford Industrial Realty, L.P. (the “Operating Partnership”), of which we are the sole general partner, was formed as a Maryland limited partnership on January 18, 2013. Through our controlling interest in our Operating Partnership and its subsidiaries, we own, manage, lease, acquire and develop industrial real estate located in Southern California infill markets, and from time to time, acquire or provide mortgage debt secured by industrial property. As of December 31, 2016, our consolidated portfolio consisted of 136 properties with approximately 15.0 million rentable square feet. In addition, we currently manage an additional 19 properties with approximately 1.2 million rentable square feet.

The terms “us,” “we,” “our,” and the “Company” as used in these financial statements refer to Rexford Industrial Realty, Inc. and its subsidiaries (including our Operating Partnership).

Basis of Presentation

These financial statements presented are the consolidated financial statements of Rexford Industrial Realty, Inc. and its subsidiaries, including our Operating Partnership. All significant intercompany balances and transactions have been eliminated in the consolidated financial statements.

The accompanying financial statements have been prepared in conformity with U.S. Generally Accepted Accounting Principles (“GAAP”) as established by the Financial Accounting Standards Board (“FASB”) in the Accounting Standards Codification including modifications issued under Accounting Standards Updates (“ASUs”).

The preparation of financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the reported amounts in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

We consolidate all entities that are wholly owned and those in which we own less than 100% but control, as well as any variable interest entities in which we are the primary beneficiary. We evaluate our ability to control an entity and whether the entity is a variable interest entity and we are the primary beneficiary through consideration of the substantive terms of the arrangement to identify which enterprise has the power to direct the activities of a variable interest entity that most significantly impacts the entity’s economic performance and the obligation to absorb losses of the entity or the right to receive benefits from the entity. Investments in entities in which we do not control but over which we have the ability to exercise significant influence over operating and financial policies are presented under the equity method. Investments in entities that we do not control and over which we do not exercise significant influence are carried at the lower of cost or fair value, as appropriate. Our ability to correctly assess our influence and/or control over an entity affects the presentation of these investments in our consolidated financial statements. Certain prior period amounts have been reclassified to conform to the current year presentation. Any reference to the number of properties, buildings and square footage are unaudited and outside the scope of our independent auditor’s audit of our financial statements in accordance with the standards of the Public Company Accounting Oversight Board.

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents include all cash and liquid investments with an initial maturity of three months or less. The carrying amount approximates fair value due to the short-term maturity of these investments.

Notes Receivable

We record notes receivable at the unpaid principal balance, net of any deferred origination fees, purchase discounts or premiums and valuation allowances, as applicable. We amortize net deferred origination fees, which are comprised of loan fees collected from the borrower, and purchase discounts or premiums over the contractual life of the loan using the effective interest method and immediately recognize in income any unamortized balances if the loan is repaid before its contractual maturity.

On July 1, 2016, we made a \$6.0 million mortgage loan secured by a 64,965 rentable square foot industrial property located in Rancho Cucamonga, California. In connection with this origination, we collected a \$0.3 million loan fee from the borrower. The loan bears interest at 10% per annum and matures on June 30, 2017, with one additional six-month extension option available. The borrower has the option to voluntarily prepay any amounts outstanding under the loan at any time, in whole or in part, subject to certain notice requirements, provided that we have received at least six months of interest payments in aggregate, notwithstanding the date of such prepayment. In addition, the borrower has the option to defer up to \$14 thousand of interest, otherwise payable per month, to be added to the principal to be paid in full on the maturity date.

As of December 31, 2016, the note had a carrying value of \$5.9 million, which represented the original principal amount of \$6.0 million, plus \$0.1 million of accrued interest added to the principal, less the unamortized origination fee balance of \$0.2 million.

Discontinued Operations

On April 14, 2014, the FASB issued ASU 2014-08: Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity (“ASU 2014-08”). Under ASU 2014-08, only disposals that represent a strategic shift that has (or will have) a major effect on the entity’s results and operations would qualify as discontinued operations. ASU 2014-08 further expands the disclosure requirements for disposals that meet the definition of a discontinued operation, and requires entities to disclose information about disposals of individually significant components. We elected to adopt ASU 2014-08 early, beginning in the fiscal quarter ended September 30, 2014. The adoption of ASU 2014-08 has and will likely result in fewer property sales being classified as discontinued operations.

The revenues and expenses of operating properties that were either sold or classified as held for sale prior to the adoption of ASU 2014-08, are reported as discontinued operations in the consolidated statements of operations for all periods presented through the date of the disposition. During the year ended December 31, 2014, we sold three of our operating properties, of which two of these properties were sold and classified as held for sale prior to the adoption of ASU 2014-08. As such, the results of operations (prior to disposition) and the gain (loss) on sale of real estate of these two properties have been reported under discontinued operations in the consolidated statements of operations for the year ended December 31, 2014. We did not have any dispositions during the years ended December 31, 2016 and 2015, which qualified for discontinued operations presentation subsequent to the adoption of ASU 2014-08. See Note 12.

Investment in Real Estate

Acquisitions

When we acquire operating properties with the intention to hold the investment for the long-term, and such acquisitions meet the accounting criteria to be accounted for as a business combination, we allocate the purchase price to the various components of the acquisition based upon the fair value of each component. The components typically include land, building and improvements, tenant improvements, intangible assets related to above and below market leases, intangible assets related to in-place leases, debt and other assumed assets and liabilities. Because of the timing or complexity of completing certain fair value adjustments, the initial purchase price allocation may be incomplete at the end of a reporting period, in which case we may record provisional purchase price allocation amounts based on information available at the acquisition date. Subsequent adjustments to provisional amounts are recognized during the measurement period, which cannot exceed one year from the date of acquisition.

We allocate the purchase price to the fair value of the tangible assets of a property by valuing the property as if it were vacant. This “as-if vacant” value is estimated using an income or discounted cash flow approach that relies upon Level 3

inputs, which are unobservable inputs based on our assumptions about the assumptions a market participant would use. These Level 3 inputs include discount rates, capitalization rates, market rents and comparable sales data for similar properties. Estimates of future cash flows are based on a number of factors including historical operating results, known and anticipated trends, and market and economic conditions. In calculating the “as-if-vacant” value for acquisitions completed during the year

F-9

ended December 31, 2016, we used discount rates ranging from 6.00% and 8.50% and capitalization rates ranging from 5.25% to 7.50%.

In determining the fair value of intangible lease assets or liabilities, we also consider Level 3 inputs. Acquired above- and below-market leases are valued based on the present value of the difference between prevailing market rates and the in-place rates measured over a period equal to the remaining term of the lease for above-market leases and the initial term plus the term of any below-market fixed rate renewal options for below-market leases, if applicable. The estimated fair value of acquired in-place at-market tenant leases are the costs that would have been incurred to lease the property to the occupancy level of the property at the date of acquisition. Such estimates include the value associated with leasing commissions, legal and other costs, as well as the estimated period necessary to lease such property that would be incurred to lease the property to its occupancy level at the time of its acquisition. In determining the fair value for acquisitions completed during the year ended December 31, 2016, we used an estimated average lease-up period ranging from six to twelve months. Acquisition costs associated with business combinations are expensed in the period they are incurred.

The difference between the fair value and the face value of debt assumed in connection with an acquisition is recorded as a premium or discount and amortized to "interest expense" over the life of the debt assumed. The valuation of assumed liabilities is based on our estimate of the current market rates for similar liabilities in effect at the acquisition date.

For acquisitions that do not meet the accounting criteria to be accounted for as a business combination, we allocate the cost of the acquisition, which includes any associated acquisition costs, to the individual assets (typically land and building) and liabilities assumed on a relative fair value basis. We capitalized total acquisition costs of \$0.2 million, \$0.7 million and \$0.3 million during the years ended December 31, 2016, 2015 and 2014, respectively. See Note 3.

Capitalization of Costs

We capitalize direct costs incurred in developing, renovating, rehabilitating and improving real estate assets as part of the investment basis. This includes certain general and administrative costs, including payroll, bonus, and noncash equity compensation of the personnel performing development, renovations and rehabilitation if such costs are identifiable to a specific activity to get the real estate asset ready for its intended use. During the development and construction periods of a project, we also capitalize interest, real estate taxes and insurance costs. We cease capitalization of costs upon substantial completion of the project, but no later than one year from cessation of major construction activity. If some portions of a project are substantially complete and ready for use and other portions have not yet reached that stage, we cease capitalizing costs on the completed portion of the project but continue to capitalize for the incomplete portion of the project. Costs incurred in making repairs and maintaining real estate assets are expensed as incurred.

We capitalized interest costs of \$1.7 million, \$0.8 million and \$42 thousand during the years ended December 31, 2016, 2015 and 2014, respectively. We capitalized real estate taxes and insurance aggregating \$0.8 million, \$0.8 million and \$0.1 million during the years ended December 31, 2016, 2015 and 2014, respectively. We capitalized compensation costs for employees who provide construction services of \$1.0 million, \$0.9 million and \$0.6 million during the years ended December 31, 2016, 2015 and 2014, respectively.

Depreciation and Amortization

Real estate, including land, building and land improvements, tenant improvements, furniture, fixtures and equipment and intangible lease assets and liabilities are stated at historical cost less accumulated depreciation and amortization, unless circumstances indicate that the cost cannot be recovered, in which case, the carrying value of the property is reduced to estimated fair value as discussed below in our policy with regards to impairment of long-lived assets. We estimate the depreciable portion of our real estate assets and related useful lives in order to record depreciation expense.

The values allocated to buildings, site improvements, in-place lease intangibles and tenant improvements are depreciated on a straight-line basis using an estimated remaining life of 10-30 years for buildings, 5-20 years for site improvements, and the shorter of the estimated useful life or respective lease term for in-place lease intangibles and tenant improvements.

As discussed above in—Investments In Real Estate—Acquisitions, in connection with property acquisitions, we may acquire leases with rental rates above or below the market rental rates. Such differences are recorded as an acquired lease intangible asset or liability and amortized to “rental revenues” over the remaining term of the related leases. Our estimate of the useful life of our assets is evaluated upon acquisition and when circumstances indicate a change in the useful life, which requires significant judgment regarding the economic obsolescence of tangible and intangible assets.

F-10

Deferred Leasing Costs

We capitalize costs directly related to the successful origination of a lease. These costs include leasing commissions paid to third parties for new leases or lease renewals, as well as an allocation of compensation costs, including payroll, bonus and non-cash equity compensation, of employees who spend time on lease origination activities. In determining the amount of compensation costs to be capitalized for these employees, allocations are made based on estimates of the actual amount of time spent working on successful leases in comparison to time spent on unsuccessful origination efforts. We capitalized compensation costs for these employees of \$0.6 million, \$0.5 million and \$0.5 million during the years ended December 31, 2016, 2015 and 2014, respectively.

Impairment of Long-Lived Assets

In accordance with the provisions of the Impairment or Disposal of Long-Lived Assets Subsections of ASC Topic 360: Property, Plant, and Equipment, we assess the carrying values of our respective long-lived assets, including goodwill, whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be fully recoverable.

Recoverability of real estate assets is measured by comparison of the carrying amount of the asset to the estimated future undiscounted cash flows. To review real estate assets for recoverability, we consider current market conditions as well as our intent with respect to holding or disposing of the asset. The intent with regards to the underlying assets might change as market conditions and other factors change. Fair value is determined through various valuation techniques, including discounted cash flow models, applying a capitalization rate to estimated net operating income of a property, quoted market values and third party appraisals, where considered necessary. The use of projected future cash flows is based on assumptions that are consistent with estimates of future expectations and the strategic plan used to manage our underlying business. If our analysis indicates that the carrying value of the real estate asset is not recoverable on an undiscounted cash flow basis, we will recognize an impairment charge for the amount by which the carrying value exceeds the current estimated fair value of the real estate property.

Assumptions and estimates used in the recoverability analyses for future cash flows, discount rates and capitalization rates are complex and subjective. Changes in economic and operating conditions or our intent with respect to our investment that occur subsequent to our impairment analyses could impact these assumptions and result in future impairment of our real estate properties.

Investment in Unconsolidated Real Estate Entities

Investments in unconsolidated real estate entities in which we have the ability to exercise significant influence (but not control) are accounted for under the equity method of investment. Under the equity method, we initially record our investment at cost, and subsequently adjust for equity in earnings or losses and cash contributions and distributions. Any difference between the carrying amount of these investments on the balance sheet and the underlying equity in net assets is amortized as an adjustment to equity in income (loss) from unconsolidated real estate over the life of the related asset. Under the equity method of accounting, our net equity investment is reflected within the consolidated balance sheets, and our share of net income or loss from the joint ventures is included within the consolidated statements of operations. See Note 11.

Income Taxes

We have elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended (the "Code") commencing with our initial taxable year ended December 31, 2013. To qualify as a REIT, we are required (among other things) to distribute at least 90% of our REIT taxable income to our stockholders and meet the various other requirements imposed by the Code relating to matters such as operating results, asset holdings, distribution levels and diversity of stock ownership. Provided we qualify for taxation as a REIT, we are generally not subject to corporate-level income tax on the earnings distributed currently to our stockholders that we derive from our REIT qualifying activities. If we fail to qualify as a REIT in any taxable year, and were unable to avail ourselves of certain savings provisions set forth in the Code, all of our taxable income would be subject to federal income tax at regular corporate rates, including any applicable alternative minimum tax.

In addition, we are subject to taxation by various state and local jurisdictions, including those in which we transact business or reside. Our non-taxable REIT subsidiaries, including our Operating Partnership, are either partnerships or disregarded entities for federal income tax purposes. Under applicable federal and state income tax rules, the allocated

share of net income or loss from disregarded entities and flow-through entities such as partnerships is reportable in the income tax returns of the respective equity holders. Accordingly, no income tax provision is included in the accompanying consolidated financial statements for the years ended December 31, 2016, 2015 and 2014.

F-11

We periodically evaluate our tax positions to determine whether it is more likely than not that such positions would be sustained upon examination by a tax authority for all open tax years, as defined by the statute of limitations, based on their technical merits. As of December 31, 2016 and 2015, we have not established a liability for uncertain tax positions.

Derivative Instruments and Hedging Activities

ASC Topic 815: Derivatives and Hedging (“ASC 815”), provides the disclosure requirements for derivatives and hedging activities with the intent to provide users of financial statements with an enhanced understanding of: (a) how and why an entity uses derivative instruments, (b) how the entity accounts for derivative instruments and related hedged items and (c) how derivative instruments and related hedged items affect an entity’s financial position, financial performance and cash flows. Further, qualitative disclosures are required that explain the Company’s objectives and strategies for using derivatives, as well as quantitative disclosures about the fair value of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative instruments.

As required by ASC 815, we record all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, and whether we have elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. We may enter into derivative contracts that are intended to economically hedge certain risks, even though hedge accounting does not apply or we elect not to apply hedge accounting. See Note 7.

Revenue Recognition

We recognize revenue from rent, tenant reimbursements and other revenue sources once all of the following criteria are met: persuasive evidence of an arrangement exists, the delivery has occurred or services rendered, the fee is fixed and determinable and collectability is reasonably assured. Minimum annual rental revenues are recognized in rental revenues on a straight-line basis over the term of the related lease. Rental revenue recognition commences when the tenant takes possession or controls the physical use of the leased space.

Estimated reimbursements from tenants for real estate taxes, common area maintenance and other recoverable operating expenses are recognized as revenues in the period that the expenses are incurred. Subsequent to year-end, we perform final reconciliations on a lease-by-lease basis and bill or credit each tenant for any cumulative annual adjustments. Lease termination fees, which are included in rental revenues in the accompanying consolidated statements of operations, are recognized when the related lease is canceled and we have no continuing obligation to provide services to such former tenant.

Revenues from management, leasing and development services are recognized when the related services have been provided and earned.

The recognition of gains on sales of real estate requires us to measure the timing of a sale against various criteria related to the terms of the transaction, as well as any continuing involvement in the form of management or financial assistance associated with the property. If the sales criteria are not met, we defer gain recognition and account for the continued operations of the property by applying the finance, profit-sharing or leasing method. If the sales criteria have been met, we further analyze whether profit recognition is appropriate using the full accrual method. If the criteria to recognize profit using the full accrual method have not been met, we defer the gain and recognize it when the criteria are met or use the installment or cost recovery method as appropriate under the circumstances. See Note 12 for discussion of dispositions.

Valuation of Receivables

We may be subject to tenant defaults and bankruptcies that could affect the collection of outstanding receivables. In order to mitigate these risks, we perform credit reviews and analyses on prospective tenants before significant leases are executed and on existing tenants before properties are acquired. We specifically analyze aged receivables, customer credit-worthiness, historical bad debts and current economic trends when evaluating the adequacy of the allowance for doubtful accounts. As a result of our periodic analysis, we maintain an allowance for estimated losses that may result from the inability of our tenants to make required payments. This estimate requires significant judgment related to the lessees' ability to fulfill their obligations under the leases. We believe our allowance for doubtful accounts is adequate for our outstanding receivables for the periods presented. If a tenant is insolvent or files for bankruptcy protection and fails to make contractual payments

F-12

beyond any allowance, we may recognize additional bad debt expense in future periods equal to the net outstanding balances, which include amounts recognized as straight-line revenue not realizable until future periods. We recorded a provision for doubtful accounts of \$1.2 million, \$1.5 million and \$0.7 million for the years ended December 31, 2016, 2015 and 2014, respectively, as a reduction to rental revenues in our consolidated statements of operations.

Rents and other receivables, net and deferred rent receivables, net consisted of the following as of December 31, 2016 and 2015:

	December 31,	
	2016	2015
Rents and other receivables	\$5,565	\$4,938
Allowance for doubtful accounts	(2,816)	(1,898)
Rents and other receivables, net	\$2,749	\$3,040
Deferred rent receivable	\$11,903	\$7,913
Allowance for doubtful accounts	(30)	(86)
Deferred rent receivable, net	\$11,873	\$7,827

Debt Issuance Costs

Debt issuance costs related to a recognized debt liability are presented in the balance sheet as a reduction from the carrying value of the debt liability. This offset against the debt liability is treated similarly to a debt discount, which effectively reduces the proceeds of a borrowing. For line of credit arrangements, we present debt issuance costs as an asset and amortize the cost over the term of the line of credit arrangement. See Note 5.

Equity Based Compensation

We account for equity based compensation in accordance with ASC Topic 718 Compensation – Stock Compensation. Total compensation cost for all share-based awards is based on the estimated fair market value on the grant date. For share-based awards that vest based solely on a service condition, we recognize compensation cost on a straight-line basis over the total requisite service period for the entire award. For share-based awards that vest based on a market or performance condition, we recognize compensation cost on a straight-line basis over the requisite service period of each separately vesting tranche. See Note 15.

Equity Offering Costs

Underwriting commissions and offering costs related to our common stock issuances have been reflected as a reduction of additional paid-in capital. Underwriting commissions and offering costs related to our preferred stock issuance have been reflected as a direct reduction of the preferred stock balance.

Earnings Per Share

We calculate earnings per share (“EPS”) in accordance with ASC 260 – Earnings Per Share (“ASC 260”). Under ASC 260, nonvested share-based payment awards that contain non-forfeitable rights to dividends are participating securities and, therefore, are included in computing basic EPS pursuant to the two-class method. The two-class method determines EPS for each class of common stock and participating securities according to dividends declared (or accumulated) and their respective participation rights in undistributed earnings.

Basic EPS is calculated by dividing the net income (loss) attributable to common stockholders by the weighted average number of shares of common stock outstanding for the period.

Diluted EPS is calculated by dividing the net income (loss) attributable to common stockholders by the weighted average number of shares of common stock outstanding determined for the basic EPS computation plus the effect of any dilutive securities. We include unvested shares of restricted stock and unvested LTIP units in the computation of diluted EPS by using the more dilutive of the two-class method or treasury stock method. We include unvested performance units as contingently issuable shares in the computation of diluted EPS once the market criteria are met, assuming that the end of the

reporting period is the end of the contingency period. Any anti-dilutive securities are excluded from the diluted EPS calculation. See Note 15.

Segment Reporting

Management views the Company as a single segment based on its method of internal reporting in addition to its allocation of capital and resources.

Recently Issued Accounting Pronouncements

Changes to GAAP are established by the FASB in the form of ASUs to the FASB's Accounting Standards Codification. We consider the applicability and impact of all ASUs.

On January 5, 2017, the FASB issued ASU 2017-01, Business Combinations - Clarifying the Definition of a Business ("ASU 2017-01"), to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. ASU 2017-01 clarifies that when substantially all of the fair value of the gross assets acquired or disposed of is concentrated in a single identifiable asset or a group of similar assets, the set of assets and activities is not a business. ASU 2017-01 also revises the definition of a business to include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create an output. ASU 2017-01 is effective for annual periods beginning after December 15, 2017, and interim periods within those fiscal years, and early adoption is permitted. Under current guidance, the majority of our property acquisitions are accounted for as business combinations and related acquisition costs are expensed as incurred. Upon the adoption of ASU 2017-01, we expect that most of our property acquisitions will not meet the definition of a business and will be accounted for as asset acquisitions, which will result in the capitalization of acquisition costs as part of the purchase price of the acquisition, instead of being expensed as incurred. We currently plan to early adopt ASU 2017-01, effective January 1, 2017.

On November 17, 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230) - Restricted Cash ("ASU 2016-18"), which requires entities to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flow. ASU 2016-18 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period, but any adjustments must be reflected as of the beginning of the fiscal year that includes that interim period. The new standard must be adopted retrospectively. We are currently in the process of evaluating the impact of this new pronouncement on our consolidated statements of cash flows.

On February 25, 2016, the FASB issued ASU 2016-02, Leases ("ASU 2016-02"), which requires lessees to recognize the following for all leases (with the exception of short-term leases) at the commencement date: (1) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (2) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The ASU also requires lessees to classify leases as either finance or operating leases based on whether or not the lease is effectively a financed purchase of the leased asset by the lessee. This classification is used to evaluate whether the lease expense should be recognized based on an effective interest method or on a straight-line basis over the term of the lease. Lessor accounting is largely unchanged under ASU 2016-02. Additionally, the new ASU will require that lessees and lessors capitalize, as initial direct costs, only those costs that are incurred due to the execution of a lease. As a result, allocated payroll costs and other costs that are incurred regardless of whether the lease is obtained will no longer be capitalized as initial direct costs and will need to be expensed as incurred. ASU 2016-02 is effective for annual periods beginning after December 15, 2018, and early adoption is permitted. ASU 2016-02 requires the use of a modified retrospective approach for all leases existing at, or entered into after, the beginning of the earliest period presented in the consolidated financial statements, with certain practical expedients available. We are currently assessing the impact of the guidance on our consolidated financial statements and notes to our consolidated financial statements.

On May 28, 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"). ASU 2014-09 establishes principles for reporting the nature, amount, timing and uncertainty of revenues and cash flows arising from an entity's contracts with customers. The core principle of the new standard is that an entity recognizes revenue to represent the transfer of goods or services to customers in an amount that reflects the consideration to

which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 does not apply to lease contracts within the scope of Leases (Topic 840). For public entities, ASU 2014-09 is effective for annual reporting periods, including interim reporting periods within those periods, beginning after December 15, 2017. Early application is permitted for annual periods beginning after December 15, 2016. ASU 2014-09 permits the use of either the full retrospective transition method or a modified retrospective transition method. We expect to adopt ASU 2014-09 on January 1, 2018, using the modified retrospective transition method, and are currently evaluating the effect that the guidance will have on our consolidated financial statements and notes to our consolidated financial statements.

F-14

Adoption of New Accounting Pronouncements

On March 30, 2016, the FASB issued ASU 2016-09, Compensation - Stock Compensation: Improvements to Employee Share-Based Payment Accounting (“ASU 2016-09”), to amend and simplify several aspects of the accounting for share-based payment award transactions, including: (i) income tax consequences, (ii) classification of awards as equity or liabilities and (iii) classification on the statement of cash flows. ASU 2016-09 is effective for annual periods beginning after December 15, 2016, and interim periods within those fiscal years, and early adoption is permitted. We have elected to early adopt ASU 2016-09, effective October 1, 2016. As part of the adoption of ASU 2016-09, we have elected to recognize forfeitures in the period in which they occur, whereas former guidance required us to estimate expected forfeitures. The adoption of ASU 2016-09 did not have a material impact on our consolidated financial statements or notes to our consolidated financial statements.

On August 26, 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230) - Classification of Certain Cash Receipts and Cash Payments (“ASU 2016-15”), which addresses certain classification issues related to the statement of cash flows, including: (i) debt prepayment or debt extinguishment costs, (ii) contingent consideration payments made after a business combination and (iii) distributions received from equity method investees. ASU 2016-15 is effective for public business entities for annual and interim periods in fiscal years beginning after December 15, 2017. Early adoption is permitted, including adoption in an interim period. We have elected to early adopt ASU 2016-15, beginning with the quarter ended September 30, 2016. As part of the adoption of ASU 2016-15, we have elected to classify distributions received from equity method investees under the “nature of the distribution approach,” in which each distribution is evaluated on the basis of the source of the payment and classified as either operating cash inflows or investing cash inflows. The adoption of ASU 2016-15 did not have a material impact on our statement of cash flows.

Effective January 1, 2016, we adopted ASU 2015-02, Amendments to the Consolidation Analysis (“ASU 2015-02”), which changes the way an entity evaluates whether they should consolidate certain legal entities. Specifically, ASU 2015-02 (i) modifies the evaluation of whether limited partnerships and similar legal entities are variable interest entities (“VIEs”) or voting interest entities, (ii) eliminates the presumption that a general partner should consolidate a limited partnership and (iii) affects the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships.

Under the provisions of ASU 2015-02, we concluded that (1) our Operating Partnership is a VIE of the Company because the holders of limited partnership interests do not have substantive kick-out or participating rights and (2) the Company is the primary beneficiary of the VIE, which requires us to consolidate the Operating Partnership. However, as we already consolidate our Operating Partnership under prior consolidation guidance, the adoption of ASU 2015-02 did not have an effect on our consolidated financial statements. Additionally, the assets and liabilities of the Company and the Operating Partnership are substantially the same, as the Company does not have any significant assets other than its investment in the Operating Partnership.

On September 25, 2015, the FASB issued ASU 2015-16, Business Combinations: Simplifying the Accounting for Measurement-Period Adjustments (“ASU 2015-16”). ASU 2015-16 requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The effect on earnings of changes in depreciation or amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date, must be recorded in the reporting period in which the adjustment amounts are determined rather than retrospectively. ASU 2015-16 also requires that an acquirer present separately on the face of the income statement, or disclose in the notes, the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. ASU 2015-16 is effective prospectively for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years, with early adoption permitted. We have elected to adopt ASU 2015-16 early, beginning with the quarter ended September 30, 2015. There was no change to our consolidated financial statements or notes to our consolidated financial statements as a result of early adoption.

3. Investments in Real Estate

REIT Portfolio Acquisition

On April 11, 2016, we entered into a stock purchase agreement (the “Stock Purchase Agreement”) to acquire a private real estate investment trust that owns a portfolio of nine industrial properties totaling approximately 1.5 million rentable square feet (the “REIT Portfolio”) from a third-party seller in exchange for approximately \$191.0 million in cash, exclusive of closing costs and credits (the “REIT Portfolio Acquisition”).

On April 15, 2016, pursuant to the Stock Purchase Agreement, we consummated the transaction. As part of the REIT Portfolio Acquisition, we acquired 100% of the private REIT’s common stock and 575 of 700 issued and outstanding shares of the private REIT’S 12.5% cumulative non-voting preferred stock (the “preferred stock”). The remaining 125 shares of preferred stock are held by unaffiliated third parties and will remain outstanding in order to help us comply with federal income tax regulations applicable to REITs. These shares of preferred stock may be redeemed by us at any time, subject to procedural requirements, for an aggregate price of \$125,000 plus any dividends thereon that have accrued but have not been repaid at the time of such redemption.

Acquisition Summary

The following table sets forth the wholly-owned industrial properties we acquired during the year ended December 31, 2016:

Property	Submarket	Date of Acquisition	Rentable Square Feet	Number of Buildings	Contractual Purchase Price (in thousands)
8525 Camino Santa Fe ⁽¹⁾	San Diego - Central	3/15/2016	59,399	1	\$ 8,450
28454 Livingston Avenue ⁽¹⁾	Los Angeles - San Fernando Valley	3/29/2016	134,287	1	16,000
REIT Portfolio ⁽²⁾	Various ⁽²⁾	4/15/2016	1,530,814	9	191,000
10750-10826 Lower Azusa Road ⁽³⁾	Los Angeles - San Gabriel Valley	5/3/2016	79,050	4	7,660
525 Park Avenue ⁽⁴⁾	Los Angeles - San Fernando Valley	6/30/2016	63,403	1	7,550
3233 Mission Oaks Boulevard ⁽⁵⁾	Ventura	7/6/2016	457,693	1	25,700
1600 E. Orangethorpe Avenue ⁽⁴⁾	Orange County - North	8/24/2016	345,756	6	40,137
14742-14750 Nelson Avenue ⁽⁴⁾	Los Angeles - San Gabriel Valley	9/8/2016	145,531	2	15,000
3927 Oceanic Drive ⁽⁴⁾	San Diego - North County	10/21/2016	54,740	1	7,200
301-445 Figueroa Street ⁽⁴⁾	Los Angeles - South Bay	11/4/2016	133,925	1	13,000
12320 4th Street ⁽⁶⁾	Inland Empire - West	12/7/2016	284,676	2	24,435
9190 Activity Road ⁽⁴⁾	San Diego - Central	12/16/2016	83,520	1	15,550
			3,372,794	30	\$ 371,682

(1) This acquisition was funded with available cash on hand and borrowings under our unsecured revolving credit facility.

The REIT Portfolio Acquisition was funded with available cash on hand, proceeds from a \$100.0 million term loan borrowing and proceeds from an equity offering of 10.35 million shares of our common stock. See Notes 5 and 13 (2) for additional information. The REIT Portfolio consists of nine properties located in four of our core submarkets, including Orange County, Los Angeles - San Gabriel Valley, Inland Empire West and Central San Diego.

This acquisition was partially funded through a tax-deferred like-kind exchange under Section 1031 of the Internal Revenue Code (“1031 Exchange”) using \$2.5 million of net cash proceeds from the sale of our property located at 6010 North Paramount Boulevard and available cash on hand.

(4) This acquisition was funded with available cash on hand.

We acquired this property from our unconsolidated joint venture (see Note 11). Prior to the acquisition, our ownership interest in the property was 15.0%. This acquisition was partially funded through a 1031 Exchange using \$18.0 million of net cash proceeds from the sale of our properties located at 1840 Dana Street and 12910 East Mulberry Drive and available cash on hand.

(6) This acquisition was partially funded through a 1031 Exchange using \$18.1 million of net cash proceeds from the sale of our properties located at 22343-22349 La Palma Avenue and 157th Street and available cash on hand.

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The following table sets forth the wholly-owned industrial properties we acquired during the year ended December 31, 2015:

Property	Submarket	Date of Acquisition	Rentable Square Feet	Number of Buildings	Contractual Purchase Price (in thousands)
8902-8940 Activity Road ⁽¹⁾	San Diego - Central	1/21/2015	112,501	5	\$ 18,450
12907 Imperial Highway ⁽²⁾	Los Angeles - Mid-counties	1/21/2015	101,080	1	12,180
1210 North Red Gum Street ⁽³⁾	Orange County - North	3/9/2015	64,570	1	7,650
9401 De Soto Avenue ⁽³⁾	Los Angeles - San Fernando Valley	3/18/2015	150,263	1	14,075
9615 Norwalk Boulevard ⁽³⁾	Los Angeles - Mid-counties	4/30/2015	38,362	2	9,642
16221 Arthur Street ⁽³⁾	Los Angeles - Mid-counties	5/1/2015	61,372	1	5,774
2588 & 2605 Industry Way ⁽¹⁾	Los Angeles - South Bay	5/12/2015	164,662	2	22,000
425 South Hacienda Boulevard ⁽¹⁾	Los Angeles - San Gabriel Valley	5/15/2015	51,823	1	7,000
6700 Alameda Street ⁽⁴⁾	Los Angeles - Central LA	6/29/2015	78,280	1	14,500
12720-12860 Danielson Court ⁽¹⁾	San Diego - Central	7/10/2015	112,062	6	16,900
10950 Norwalk Boulevard ⁽³⁾	Los Angeles - Mid-counties	7/29/2015	18,995	1	4,973
610-760 Hueneme Road ⁽³⁾	Ventura	8/11/2015	86,904	2	9,607
10709-10719 Norwalk Boulevard ⁽³⁾	Los Angeles - Mid-counties	9/1/2015	58,056	2	7,242
6020 Sheila Street ⁽⁴⁾	Los Angeles - Central LA	9/18/2015	70,877	1	12,220
9805 6th Street ⁽⁴⁾	Inland Empire West	9/30/2015	81,377	1	6,894
16321-16327 Arrow Highway ⁽¹⁾	Los Angeles - San Gabriel Valley	10/14/2015	64,296	3	8,120
2535 Midway Drive ⁽¹⁾	San Diego - Central	10/22/2015	373,744	2	19,295
601-605 Milliken Avenue ⁽¹⁾	Inland Empire West	12/8/2015	128,322	3	13,000
1065 Walnut Street ⁽⁵⁾	Los Angeles - South Bay	12/11/2015	172,420	1	16,700
12247 Lakeland Road ⁽¹⁾	Los Angeles - Mid-counties	12/16/2015	24,875	1	4,257
17311 Nichols Lane ⁽⁴⁾	Orange County - West	12/30/2015	114,912	1	17,100
Total 2015 Wholly-Owned Property Acquisitions			2,129,753	39	\$ 247,579

(1) This acquisition was funded with borrowings under our unsecured revolving credit facility.

This acquisition was funded as follows: (i) \$5.4 million from the assumption of secured debt, (ii) \$2.1 million from a deposit paid during the fourth quarter of 2014 and (iii) borrowings under our unsecured revolving credit facility.

(2) The assumed debt was recorded at fair value on the acquisition date, resulting in a premium of approximately \$0.5 million.

(3) This acquisition was funded with available cash on hand.

(4) This acquisition was funded in part with available cash on hand and in part with borrowings under our unsecured revolving credit facility.

(5) This acquisition was funded as follows: (i) \$10.9 million from the assumption of secured debt and (ii) borrowings under our unsecured revolving credit facility. The assumed debt was recorded at fair value on the acquisition date, resulting in a premium of approximately \$0.3 million.

The following table summarizes the fair value of amounts recognized for each major class of asset and liability for the acquisitions noted in the table above, as of the date of acquisition (in thousands):

	2016		2015	
	REIT Portfolio Acquisition	Other Acquisitions	Total Acquisitions	Total Acquisitions
Assets:				
Land ⁽¹⁾	\$ 101,530	\$ 102,296	\$ 203,826	\$ 124,660
Buildings and improvements ⁽²⁾	74,586	72,588	147,174	106,496
Tenant improvements	2,875	2,461	5,336	4,792
Acquired lease intangible assets ⁽³⁾	12,103	9,180	21,283	16,236
Other acquired assets ⁽⁴⁾	222	305	527	128
Total assets acquired	191,316	186,830	378,146	252,312
Liabilities:				
Acquired lease intangible liabilities ⁽⁵⁾	934	6,583	7,517	1,713
Notes payable	—	—	—	17,097
Deferred rent liability	—	—	—	977
Other assumed liabilities ⁽⁴⁾	1,519	1,364	2,883	1,926
Total liabilities assumed	2,453	7,947	10,400	21,713
Net assets acquired	188,863	178,883	367,746	230,599

The allocation to land in 2016 includes \$0.2 million of capitalized acquisition costs related to the purchase of 14742-14750 Nelson Avenue and 3927 Oceanic Drive, which were accounted for as an asset acquisition. The (1) allocation to land in 2015 includes an aggregate \$0.4 million of capitalized acquisition costs related to the purchases of 9401 De Soto Avenue, 16221 Arthur Street, 425 Hacienda Boulevard, 6020 Sheila Street, and 2535 Midway Drive, which were accounted for as asset acquisitions.

The allocation to buildings and improvements in 2015 includes an aggregate \$0.3 million of capitalized acquisition (2) costs related to the purchases of 16221 Arthur Street, 425 Hacienda Boulevard, 6020 Sheila Street, and 2535 Midway Drive, which were accounted for as asset acquisitions.

For the REIT Portfolio, acquired lease intangible assets consist of \$11.1 million of in-place lease intangibles with a weighted average amortization period of 5.0 years and \$1.0 million of above-market lease intangibles with a weighted average amortization period of 7.6 years. For the other 2016 acquisitions, acquired lease intangible assets (3) consist of \$8.9 million of in-place lease intangibles with a weighted average amortization period of 5.5 years and \$0.3 million of above-market lease intangibles with a weighted average amortization period of 2.4 years. For 2015 acquisitions, acquired lease intangible assets consists of \$12.1 million of in-place lease intangibles with a weighted average amortization period of 5.5 years and \$4.1 million of above-market tenant lease intangibles with a weighted average amortization period of 11.9 years.

(4) Includes other working capital assets acquired (prepaid expenses, other receivables and other assets) and liabilities assumed (tenant security deposits and other payables), respectively, at the time of acquisition.

(5) Represents below-market lease intangibles with a weighted average amortization period of 4.8 years, 10.3 years and 5.9 years for the REIT Portfolio, other 2016 acquisitions and total 2015 acquisitions, respectively.

The following table sets forth the results of operations for the year ended December 31, 2016, for the properties acquired during the year ended December 31, 2016, included in the consolidated statements of operations from the date of acquisition (in thousands):

Year Ended
December 31,
2016

Revenues \$ 15,496
Net Income \$ 4,503

F-18

The following table sets forth unaudited pro-forma financial information (in thousands) as if the closing of our acquisitions during the year ended December 31, 2016, had occurred on January 1, 2015. These unaudited pro-forma results have been prepared for comparative purposes only and include certain adjustments, such as (i) increased rental revenues for the amortization of the net amount of above- and -below-market rents acquired in the acquisitions, (ii) increased depreciation and amortization expenses as a result of tangible and intangible assets acquired in the acquisitions, (iii) increased interest expense for borrowings associated with these acquisitions, (iv) the elimination of acquisition costs that are directly related to these acquisitions and (v) the elimination of equity in income/loss from unconsolidated real estate entities related to our acquisition of the property located at 3233 Mission Oaks Boulevard from our unconsolidated joint venture. These unaudited pro-forma results do not purport to be indicative of what operating results would have been had the acquisitions actually occurred on January 1, 2015, and may not be indicative of future operating results.

	Year Ended	
	December 31,	
	2016	2015
Revenues	\$137,744	\$116,585
Net income	\$26,427	\$(76)
Net income attributable to common stockholders per share - basic	\$0.42	\$—
Net income attributable to common stockholders per share - diluted	\$0.42	\$—

4. Acquired Lease Intangibles

The following table summarizes our acquisition-related intangible assets, including the value of in-place leases and above-market tenant leases, and our acquisition-related intangible liabilities, including below-market tenant leases and above-market ground leases as follows (in thousands):

	December 31,	
	2016	2015
Acquired Lease Intangible Assets:		
In-place lease intangibles	68,234	49,265
Accumulated amortization	(37,648)	(25,107)
In-place lease intangibles, net	30,586	24,158
Above-market tenant leases		
Above-market tenant leases	10,191	9,062
Accumulated amortization	(4,412)	(2,837)
Above-market tenant leases, net	5,779	6,225
Acquired lease intangible assets, net	36,365	30,383
Acquired Lease Intangible Liabilities:		
Below-market tenant leases	(12,426)	(5,227)
Accumulated accretion	3,477	2,053
Below-market tenant leases, net	(8,949)	(3,174)
Below-market ground lease		
Below-market ground lease	(290)	(290)
Accumulated accretion	109	77
Below-market ground lease, net	(181)	(213)
Acquired lease intangible liabilities, net	(9,130)	(3,387)

The following table summarizes the amortization related to our acquired lease intangible assets and liabilities for the reported periods noted below (in thousands):

	Year Ended December 31,		
	2016	2015	2014
In-place lease intangibles ⁽¹⁾	\$13,560	\$12,445	\$9,275
Net above (below) market tenant leases ⁽²⁾	\$(46)	\$234	\$452
Above-market ground lease ⁽³⁾	\$(32)	\$(32)	\$(32)

(1) The amortization of in-place lease intangibles is recorded to depreciation and amortization expense in the consolidated statements of operations for the periods presented.

(2) The amortization of above (below) market tenant leases is recorded as a decrease (increase) to rental revenues in the consolidated statements of operations for the periods presented.

(3) The accretion of the above-market ground lease is recorded as a decrease to property expenses in the consolidated statements of operations for the periods presented.

The following table summarizes the estimated amortization/(accretion) of our acquisition-related intangibles as of December 31, 2016, for the next five years (in thousands):

Year Ending	In-place Leases ⁽¹⁾	Net Above/(Below) Market Operating Leases ⁽²⁾	Above Market Ground Lease ⁽³⁾
2017	\$ 10,087	\$ (403)	\$ (32)
2018	6,979	(481)	(32)
2019	5,413	(417)	(32)
2020	3,602	(475)	(32)
2021	1,947	(511)	(32)
Thereafter	2,558	(883)	(21)
Total	\$ 30,586	\$ (3,170)	\$ (181)

(1) Estimated amounts of amortization will be recorded to depreciation and amortization expense in the consolidated statements of operation.

(2) Estimated amounts of amortization will be recorded as a net increase to rental revenues in the consolidated statements of operations.

(3) Estimated amounts of accretion will be recorded as a decrease to property expenses in the consolidated statements of operations.

5. Notes Payable

The following table summarizes the balance of our indebtedness as of December 31, 2016 and 2015 (in thousands):

	December 31, 2016	December 31, 2015
Principal amount	\$502,476	\$ 418,698
Less: unamortized discount and deferred loan costs ⁽¹⁾	(2,292)	(544)
Carrying value	\$500,184	\$ 418,154

(1) Unamortized discount and deferred loan costs exclude net debt issuance costs related to establishing our unsecured credit facility. These costs are presented in the line item "Deferred loan costs, net" in the consolidated balance sheets.

The following table summarizes the components and significant terms of our indebtedness as of December 31, 2016 and 2015 (dollars in thousands):

	December 31, 2016		December 31, 2015		Contractual Maturity Date	Stated Interest Rate ⁽¹⁾	Effective Interest Rate ⁽²⁾
Principal Amount	Unamortized Discount and Deferred Loan Costs	Principal Amount	Unamortized Discount and Deferred Loan Costs				
Secured Debt							
\$60m Term Loan ⁽³⁾	\$59,674	\$ (204)	\$60,000	\$ (283)	8/1/2019	⁽⁴⁾ LIBOR+1.90%	3.95 %
Gilbert/La Palma	2,909	(145)	3,044	(153)	3/1/2031	5.125 % ⁽⁵⁾	5.39 %
12907 Imperial Highway	5,182	180	5,299	303	4/1/2018	5.950 % ⁽⁶⁾	3.50 %
1065 Walnut Street	9,711	192	9,855	292	2/1/2019	⁽⁷⁾ 4.550 % ⁽⁸⁾	3.54 %
Unsecured Debt							
\$100M Term Loan Facility	100,000	—	100,000	—	6/11/2019	LIBOR+1.50% ⁽⁹⁾	3.40 % ⁽¹⁰⁾
Revolving Credit Facility	—	—	140,500	—	6/11/2018	⁽⁴⁾ LIBOR+1.55% ⁽⁹⁾⁽¹¹⁾	2.32 %
\$225M Term Loan Facility	225,000	(1,680)	—	—	1/14/2023	LIBOR+1.75% ⁽⁹⁾	2.65 %
Guaranteed Senior Notes ⁽¹²⁾	100,000	(635)	100,000	(703)	8/6/2025	4.290 %	4.36 %
Total	\$502,476	\$ (2,292)	\$418,698	\$ (544)			

(1) Reflects the contractual interest rate under the terms of the loan as of December 31, 2016.

(2) Reflects the effective interest rate at December 31, 2016, which includes the effect of the amortization of discounts/premiums and deferred loan costs and the effect of interest rate swaps that are effective as of December 31, 2016.

(3) This term loan is secured by six properties. Beginning August 15, 2016, monthly payments of interest and principal are based on a 30 years amortization table. As of December 31, 2016, the interest rate on this variable-rate term loan has been effectively fixed through the use of two interest rate swaps, one of which is an amortizing swap. See Note 7 for details.

(4) One additional one-year extension available at the borrower's option.

(5) Monthly payments of interest and principal based on a 20-year amortization table.

(6) Monthly payments of interest and principal based on a 30-year amortization table, with a balloon payment at maturity. We may prepay the loan in full during the 90 day period prior to the maturity date with without incurring prepayment penalties.

(7) One additional five-year extension available at the borrower's option. We may prepay the loan in whole at any time on or after November 1, 2018 through the initial maturity date without incurring prepayment penalties, subject to certain notice requirements.

(8) Monthly payments of interest and principal based on a 25-year amortization table, with a balloon payment at maturity.

(9) The LIBOR margin will range from 1.25% to 1.85% for the \$100.0 million term loan facility, 1.30% to 1.90% for the unsecured revolving credit facility and 1.50% to 2.25% for the \$225.0 million term loan facility depending on the ratio of our outstanding consolidated indebtedness to the value of our consolidated gross asset value, which is measured on a quarterly basis.

(10) As of December 31, 2016, interest on the \$100 million term loan has been effectively fixed through the use of two interest rate swaps. See Note 7 for details.

- (11) The facility additionally bears interest at 0.30% or 0.20% of the daily undrawn amount of the unsecured revolving credit facility if the balance is under \$100 million or over \$100 million, respectively.
Interest is payable semiannually on February 6 and August 6 of each year, beginning on February 6, 2016. We
- (12) may prepay at any time all or, from time to time, any part of the notes, in amounts not less than \$2.5 million of the notes then outstanding at (i) 100% of the principal amount so prepaid and (ii) the Make-Whole Amount (as defined in the credit agreement).

F-21

Contractual Debt Maturities

The following table summarizes the contractual debt maturities and scheduled amortization payments, excluding debt discounts/premiums and deferred loan costs, as of December 31, 2016, and does not consider extension options available to us as noted in the table above (in thousands):

2017	\$1,213
2018	6,163
2019	167,641
2020	166
2021	175
Thereafter	327,118
Total	\$502,476

\$225 Million Term Loan Facility

On January 14, 2016, we entered into a credit agreement for a senior unsecured term loan facility (the “\$225 Million Term Loan Facility”) that initially permits aggregate borrowings of up to \$125.0 million, the total of which we borrowed the same day at closing. Under the terms of the credit agreement, we are permitted to add one or more incremental term loans in an aggregate amount not to exceed \$100.0 million (the “Accordion”), subject to the satisfaction of specified conditions. On April 15, 2016, we exercised the Accordion in full, thereby increasing the aggregate amount outstanding under the \$225 Million Term Loan Facility to \$225.0 million. The maturity date of the \$225 Million Term Loan Facility is January 14, 2023.

Interest on the \$225 Million Term Loan Facility accrues based upon, at our option, either (i) LIBOR plus the applicable Eurodollar rate margin or (ii) the applicable base rate which is the greater of (a) the federal funds rate plus 0.50%, (b) the administrative agent’s prime rate or (c) the thirty-day LIBOR plus 1.00%, plus the applicable base rate margin. Until we obtain an investment grade rating by two or more of Standard & Poor’s, Moody’s Investor Services and Fitch Ratings (the “Rating Agencies”), and elect to use the alternative rates based on our debt rating, the applicable Eurodollar rate margin will range from 1.50% to 2.25% per annum, and the applicable base rate margin will range from 0.50% to 1.25% per annum, depending on our Leverage Ratio (as defined in the credit agreement).

We have the option to voluntarily prepay any amounts borrowed under the \$225 Million Term Loan Facility in whole or in part at any time, subject to certain notice requirements. To the extent that we prepay all or any portion of a loan on or prior to January 14, 2018, we will pay a prepayment premium equal to (i) if such prepayment occurs prior to January 14, 2017, 2.00% of the principal amount so prepaid and (ii) if such prepayment occurs on or after January 14, 2017, but prior to January 14, 2018, 1.00% of the principal amount so prepaid. Amounts borrowed under the \$225 Million Term Loan Facility and repaid or prepaid may not be reborrowed.

The \$225 Million Term Loan Facility contains usual and customary events of default including defaults in the payment of principal, interest or fees, defaults in compliance with the covenants set forth in the credit agreement and other loan documentation, cross-defaults to certain other indebtedness, and bankruptcy and other insolvency defaults. If an event of default occurs and is continuing under the \$225 Million Term Loan Facility, all outstanding principal amounts, together with all accrued unpaid interest and other amounts owing in respect thereof, may be declared immediately due and payable.

Unsecured Credit Facility

As of December 31, 2016, we have a senior unsecured revolving credit facility with a borrowing capacity of \$200.0 million (the “Revolver”) and a senior unsecured term loan facility (the “\$100 Million Term Loan Facility”) with a borrowing capacity of \$100.0 million (together the “Credit Facility”). The Revolver is scheduled to mature on June 11, 2018, with one 12-month extension option available, subject to certain conditions, and the \$100 Million Term Loan Facility is scheduled to mature on June 11, 2019. The aggregate principal amount of the Credit Facility may be increased to a total of up to \$600.0 million, which may be comprised of additional revolving commitments under the Revolver or an increase to the \$100 Million Term Loan Facility, or any combination of the foregoing, subject to the satisfaction of specified conditions and the identification of lenders willing to make available such additional amounts.

Interest on the Credit Facility accrues, at our option, at either (i) LIBOR plus the applicable LIBOR margin or (ii) the applicable base rate which is the greater of (a) the federal funds rate plus 0.50%, (b) the administrative agent's prime rate or (c) the thirty-day LIBOR plus 1.00%, plus the applicable base rate margin. Until we attain an investment grade rating by two or

F-22

more of the Rating Agencies, and elect to use the alternative rates based on our debt rating, the applicable LIBOR margin will range from 1.30% to 1.90% for the Revolver and 1.25% to 1.85% for the \$100 Million Term Loan Facility, depending on our Leverage Ratio (as defined in the credit agreement). In February 2015, the Revolver and the \$100 Million Term Loan Facility were assigned an investment grade rating of BBB- by Fitch Ratings. Additionally, there is a quarterly facility fee that is paid on the undrawn portion of the Revolver in an amount equal to 0.20% or 0.30% depending on the undrawn amount of the Revolver.

The Credit Facility is guaranteed by the Company and by substantially all of the current and future subsidiaries of the Operating Partnership that own an unencumbered property. The Credit Facility is not secured by the Company's properties or by equity interests in the subsidiaries that hold such properties.

The Revolver and the \$100 Million Term Loan Facility may be voluntarily prepaid in whole or in part at any time without premium or penalty. Amounts borrowed under the \$100 Million Term Loan Facility and repaid or prepaid may not be re-borrowed.

The Credit Facility contains usual and customary events of default including defaults in the payment of principal, interest or fees, defaults in compliance with the covenants set forth in the Credit Facility and other loan documentation, cross-defaults to certain other indebtedness, and bankruptcy and other insolvency defaults. If an event of default occurs and is continuing under the Credit Facility, the unpaid principal amount of all outstanding loans, together with all accrued unpaid interest and other amounts owing in respect thereof, may be declared immediately due and payable.

As of December 31, 2016, we did not have any borrowings outstanding under our Revolver, leaving \$200.0 million available for additional borrowings.

On February 14, 2017, we amended and expanded the Credit Facility. For additional details see Note 17 – Subsequent Events.

Debt Covenants

The \$225 Million Term Loan Facility and the Credit Facility both include a series of financial and other covenants that we must comply with, including the following covenants which are tested on a quarterly basis:

- Maintaining a ratio of total indebtedness to total asset value of not more than 60%;
- Maintaining a ratio of secured debt to total asset value of not more than 45%;
- Maintaining a ratio of total secured recourse debt to total asset value of not more than 15%;
- Maintaining a minimum tangible net worth of at least the sum of (i) \$283,622,250, and (ii) an amount equal to at least 75% of the net equity proceeds received by the Company after March 31, 2014;
- Maintaining a ratio of adjusted EBITDA to fixed charges of at least 1.5 to 1.0;
- Maintaining a ratio of total unsecured debt to total unencumbered asset value of not more than 60%;
- Maintaining a ratio of unencumbered NOI to unsecured interest expense of at least 1.75 to 1.0.

Additionally, the \$225 Million Term Loan Facility and the Credit Facility provide that our distributions may not exceed the greater of (i) 95.0% of our funds from operations or (ii) the amount required for us to qualify and maintain our status as a REIT and avoid the payment of federal or state income or excise tax in any 12 month period.

Our \$100.0 million unsecured guaranteed senior notes (the "Notes") contain a series of financial and other covenants with which we must comply. The financial covenants, which are tested on a quarterly basis, are the same as those that we must comply with under the \$225 Million Term Loan Facility and the Credit Facility, as detailed above. In addition, we are required to maintain at all times a credit rating on the Notes from either S&P, Moody's or Fitch. At issuance, the Notes were assigned an investment grade rating of BBB- by Fitch, which most recently affirmed in August 2016, with a stable outlook. Subject to the terms of the Notes, upon certain events of default, including, but not limited to, (i) a default in the payment of any principal, make-whole payment amount, or interest under the Notes, (ii) a default in the payment of certain of our other indebtedness, (iii) a default in compliance with the covenants set forth in the Notes agreement, and (iv) bankruptcy and other insolvency defaults, the principal and accrued and unpaid interest and the make-whole payment amount on the outstanding Notes will become due and payable at the option of the purchasers.

Our \$60.0 million term loan contains the following financial covenants:

- Maintaining a Debt Service Coverage Ratio (as defined in the term loan agreement) of at least 1.10 to 1.00, to be tested quarterly;

Maintaining Unencumbered Liquid Assets (as defined in the term loan agreement) of not less than (i) \$5,000,000, or (ii) \$8,000,000 if we elect to have Line of Credit Availability (as defined in the term loan agreement) included in the calculation, of which \$2,000,000 must be cash or cash equivalents, to be tested annually as of December 31 of each year;

- Maintaining a minimum Fair Market Net Worth (as defined in the term loan agreement) of at least \$75,000,000, to be tested annually as of December 31 of each year.

We were in compliance with all of our quarterly and annual debt covenants as of December 31, 2016.

6. Operating Leases

We lease space to tenants primarily under non-cancelable operating leases that generally contain provisions for a base rent plus reimbursement for certain operating expenses. Operating expense reimbursements are reflected in the consolidated statements of operations as tenant reimbursements.

Future minimum base rent under operating leases as of December 31, 2016 is summarized as follows (in thousands):

For the year ending December 31:

2017